OCTOBER 1977 $1.25

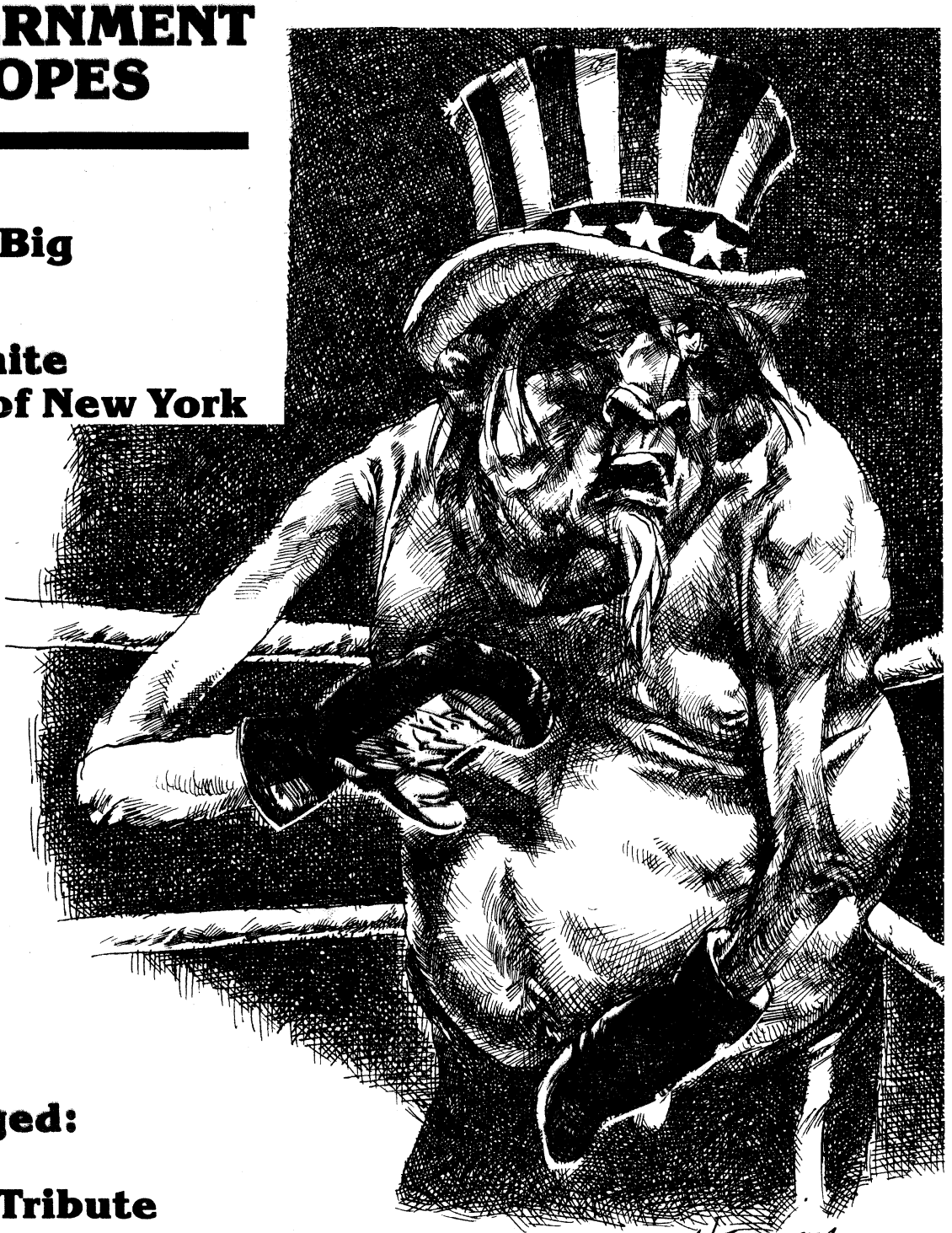
# Libertarian Review

## SPECIAL ISSUE: BIG GOVERNMENT ON THE ROPES

**Roy Childs**
**The Crisis of Big Government**

**Lawrence White**
**The Decline of New York**

**Don Lavoie**
**The Decay of Radical Socialism**




**Henry Ferns**
**Great Britain**

**Atlas Shrugged: A Twentieth Anniversary Tribute**

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# Letters

**Capitalism and Statism.** The article by Leonard Liggio in the July 1977 Libertarian Review was very interesting. Taking the reader back in time he reveals why "many historians equate statism with capitalism." Which reminds me of an observation made by Time magazine (July 14, 1975) that: "Some free-enterprisers even shun the word (capitalism) because it was popularized by Karl Marx and other socialist thinkers as a name for a system that they were attacking, and it retains a pejorative flavor. Adam Smith never mentioned capitalism in any of his works; he preferred the term natural order."

The article also went on to say what we all know: "Some economists argue that Nazi Germany was capitalist because most of its industry was privately owned." And there is apparently no reason to deny it, since Marx and his buddies identified the term with statism. So why, may I ask, do libertarians use this term for the free market when it has all the popular connotations of mercantilism, fascism and the welfare/warfare state?

If you can't fight (or should I say change) the traditional meaning of a word, then you should join those who use it properly.

It seems to me that libertarians would attract more attention if they distinguished themselves from what most people seem to feel has been tried and found wanting. After all, most people don't have the faintest conception of what an open market would be like. And if they were convinced that it was not what the liberals fear (capitalism) and what the conservatives claim to champion (capitalism), they might be curious enough to listen.

Robert L. Krel, El Paso, Texas

**The Laetrile Saga.** With the possible exception of Roger MacBride's article, the best article in the last issue of *LR* was probably the unsigned editorial on the laetrile movement. It made several good points. I want to point out, however, that the pro-Laetrile organization, The Committee for Freedom of Choice in Cancer Therapy, is not, strictly speaking, a "Birchite front group" even though I would imagine that over ninety percent of those involved are members of the John Birch Society. Another good organization in this pro-freedom of choice movement is VOCAL, Victory Over Cancer Action League, P.O. Box 4228, Westlake Village, CA., 91359. The president of VOCAL is G. Edward Griffin, author of the excellently-written book *WORLD WITHOUT CANCER: THE STORY OF VITAMIN B-17*. The book is available as a hardback or as a four-dollar softback. It is divided into two main parts, the first dealing with the biochemistry of cancer and laetrile, and the second dealing with the politics of cancer and laetrile. The second part should be of great interest to libertarians since it explains what causes monopolies (interventionism by the regulatory agencies) and advocates a strictly laissez faire solution. Griffin explains (unlike other books on laetrile) the relationship between the big pharmaceutical industries and the Establishment insiders (the artificial "aristocracy" of political pull) and how they use regulatory agencies (the political pull peddlers) such as the FDA to keep down the competition from laetrile which would occur if we had a free market in the drug industry.

The book is extensively researched with many original sources involving Dr. Krebs, Richardson, and other pioneers in medicine and biochemistry. I also recommend the filmstrip by the same title which is usually available from either VOCAL or the Committee for Freedom of Choice.

Laissez Faire!

Sam L. Wells, Jr., Vice-Chairman, LP of La., Houma, La.

**The Politics of James Schlesinger.** Murray Rothbard has identified the national energy plan (NEP) exactly for what it is: a crisis-creating move to extend the federal government's control over citizens. The most incredible aspect is that James Schlesinger readily concedes the economics and actually admits to what the NEP's objective really is. Here is what he said in the *Atlanta Journal* and the *Atlanta Constitution* on May 21, 1977.

The classical laissez-faire response to the energy situation I have briefly outlined would be to allow the market to set the prices of oil and natural gas. Thus, the true value of energy would become apparent to all. As a result, attitudes toward energy would change, and people would begin to use it efficiently, and with greater respect for its value.

As the price continued to rise, other forms of energy would become more competitive with oil and natural gas. In this way the marketplace would gradually phase out these fuels, replacing them with coal, nuclear power, and ultimately with sources, such as solar energy, which are virtually inexhaustible.

True, Adam Smith's "invisible hand" would probably accomplish these economic goals rather efficiently. However, this classical economic process, ideal though it may be for allocating resources, is not the most effective arbiter of social and political interests.

It is only too clear what these "social and political interests" are when one realizes that the plan would:

1. roll back the prices of crude oil;
2. retard the exploration and development of petroleum, coal and nuclear power;
3. tax the industrial uses of oil and natural gas, favoring some industries and not others;
4. regulate and roll back the prices of natural gas sold within the producing state;
5. set prices for marginal natural gas producing properties on a case-by-case basis; and
6. regulate utility prices and operations from Washington.

Of course, there are many other features which could be cited. However, the pattern is evident. The executive branch clearly wants control of energy to reward and punish geographic areas based upon their political performance.

I agree with Rothbard. The cause of individual freedom is severely threatened.

James L. Johnston, Senior Economist, Standard Oil Company (Indiana)

*Letters from readers are welcome. Although only a selection can be published and none can be individually acknowledged, each will receive editorial consideration and may be passed on to reviewers and authors.*



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# Crosscurrents

## BY WALTER E. GRINDER

•**PUBLIC EDUCATION CONTINUES TO FAIL ITS "CUSTOMERS."** Word has come from that august testing service in Princeton, New Jersey, that over the last two decades Scholastic Aptitude Test (SAT) scores have in fact declined.

In *The New York Times Magazine*, August 28, 1977, there is an excellent article that relates both to this and to more systemic failures of the current American schooling system: "The More We Spend, the Less Children Learn," by Frank E. Armbruster, is adapted from his forthcoming book, *Our Children's Crippled Future: How American Education Has Failed* (Quadrangle, 1977).

This is far more than just another curmudgeonly call for a return to basics, although it is that, too. Armbruster details the billions that are spent per year on schooling and the (consequent?) literally millions of functionally illiterate young people that the schools are churning out. The trend is increasing.

Armbruster is at his best when he shows how the schooling profession has acted as a technocratic elite to seize virtual control of the whole system. Through "expensive but unproductive gimmickry" these educational "experts" have flim-flammed their way into getting huge transfers of tax dollars pumped into their industry. By way of obscurantism and almost mystical references to the social development of the "whole person," this increasingly parasitic profession has bamboozled the American public into believing that our children actually need the "freedom" of "open classrooms," "rap sessions," and "concept training." The predictable result, of course, is that it has become a rare case indeed when one comes across a college student who can even read and write—let alone deal deftly with even moderately difficult concepts. The taxpayer pays more, the teachers teach less, and the consequence is a whole generation devoid of even the most rudimentary intellectual skills needed to deal with an increasingly complex and difficult world.

Armbruster's solution is for parents to take a greater role in the running of their local schools, to regain control over their children's lives. That may seem good, but the recent history of "decentralization" and parental control has been a dismal failure. Libertarians know that whenever there is no direct market control or consumer sovereignty directing production of a good or service, that the good or service supplied is bound to be contrary to the wishes of those receiving the service. When a bureaucracy, which is by definition insulated from the rigors of the profit and loss mechanism, provides the service, the quality and nature of the service invariably is fashioned to fill the needs of the bureaucrats and not the needs of the consumer of the service.

It is not enough for parents to spend more time scrutinizing the every move of the local school system. Education and schooling must be wrested away from the State.

This almost total and systemic breakdown of America's educational system is an issue that libertarians must take to the people. It is a paradigm of a local, grass-roots issue that can also be easily connected to wider and more systematic libertarian principles. The declining SAT scores and functional literacy levels are easy to see. It is up to the libertarian movement to show the connection between these results and the statist causes. Compulsory attendance at a state monopoly institution or at a state licensed institution and compulsory support (taxation) for such institutions and such a protected and subsidized system must be shown to be the causal culprits that they are. Furthermore, libertarians must demonstrate *clearly and effectively* that the alternative of the freely competitive private production of educational and schooling services is both *just and efficient*.

The educational industry is one of the best organized and most deeply entrenched, and the fight will be hard and very likely vicious. But the issues can and must be made clear. The system is bankrupt. The educators are killing our children. There exists a viable and indeed a noble alternative. If we can beat the schooling establishment on this issue, then we can probably win on all the issues.

The one libertarian-oriented institution that has materials on this issue and is deeply concerned with combatting compulsory education on the intellectual level is the *Center for Independent Education* (1177 University Drive, Menlo Park, Calif. 94025). You can write to them for a free brochure that details all of their activities and publications. CIE now also has a newsletter called *Inform*.

I am particularly pleased that CIE has recently reprinted the classic paper by Dorothy Sayers that was delivered at Oxford in 1947, "The Lost Tools of Learning." It reminds me way of Albert Jay Nock's great and timeless study, *The Theory of Education in the United States) (New York, 1932)*.

I find one forthcoming CIE project potentially to be one of the most important critiques of the American educational establishment ever undertaken. Next year Joel Spring, noted author and Professor of Education at the University of Cincinnati will begin a study of "The Power Structure in American Education." We will all be eagerly awaiting the results of Spring's investigations.



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**•FREDDIE LAKER'S SKY TRAIN.** The story of Frederick Laker is one that should please any libertarian. Since before World War II, he has been the entrepreneur personified. But besides being quite a good businessman (one of the few in England), he has been a consistent advocate of deregulating society in general and his own industry in particular. Fortunately for the American consumer, Freddie Laker's business is the airline business. He has for years fought against his arch-enemy, the International Air Transport Association. The IATA is the international airline cartel, a sort of international CAB. He has undercut the prices of every major international airline throughout Europe and South America. His charter business is second only to Pan Am's in total seat capacity.

Now, finally he is going to be able to do business in the United States. In September he starts his Skytrain service from New York to London. One way, walk-on service to London is $135. The return to New York is $105. His service is forcing other airlines to cut their prices, but none has reached his price as of this writing. See, "Champ of the Cheap Flight," in *The New York Times Magazine*, September 4, 1977.

**•RAVENAL'S MODEST PROPOSAL.** One of the few people making sense in the areas of strategic arms analysis is Earl C. Ravenal, a Professor of International Relations at Johns Hopkins University's School of Advanced International Studies and at the Georgetown School of Foreign Service. Most of his writings are found in the pages of high-level academic journals such as *Foreign Policy* and *Foreign Affairs*. However, in an article in the September issue of *The Atlantic*, "Toward Nuclear Stability: A Modest Proposal for Avoiding Armageddon," he brings some of his thoughts to a wider and more popular audience.

Ravenal suggests that the United States should unilaterally make some moves towards strategic disengagement. Not only might this help to induce the Soviets to do likewise in the SALT talks, but just as importantly, America, by ridding herself of land-based missiles, would be far less vulnerable to attack. As Ravenal puts it, "In the peculiar algebra of nuclear strategy, less can be more."

The intricacies of the argument are too complex to detail here, but I strongly recommend that this article be read by libertarians.

Professor Ravenal has become intrigued with and very friendly to the libertarian movement in the past year. He has spoken at both of the last two Libertarian Party national conventions. He has joined the Board of Directors of Cato Institute, and the Board of Advisors of the Center for Libertarian Studies for which he is writing a major monograph on National Security. Finally, articles by Ravenal have appeared in *Reason*: "Non-Interventionism: A Libertarian Approach to Defense." July 1977; and in *Libertarian Review* "Liberty and National Security," August 1977.

He is indeed a welcome addition to the cause of liberty.

**•HISTORY AND THE CORRUPTION OF THE LAW.** To most people, the study of history is at best an arid undertaking and time dismally spent. Americans especially, being the pragmatic people that they are, tend to think that how we got here is unimportant—"We're here, so let's get on with business."

Libertarians, however, simply cannot afford the luxury of refusing to know history. Successful political and social movements need to have both a sense of history and a sense of destiny. The one thing that libertarians must be clear about is how and why we got where we are. We cannot strike out historically *tabula rasa* and at the same time be effective, either at convincing the people that we seriously know what we are doing or at achieving our political and socioeconomic goals.

It would seem, moreover, that a good case can be made that libertarians should be *better* versed than our political opponents in all aspects of both our socioeconomic and political history and the current issues. After all, we are still a relatively small minority. We *have* to know more, if we are ever to win.

And this means that we must know our history. We must know how our past has evolved into the issues of today so that we can have some better idea of how to approach the issues of tomorrow which will have, in turn, evolved from those of today. History may never repeat itself, but there is a thread of continuity that simply has to be grasped or we shall, as Santayana pointed out, be doomed forever to repeat the errors of the past. After all, we do not want to spend our time whistling in the dark; we want the cause of liberty to emerge victorious.

A perfect example of the relation between the past and current issues is Morton J. Horwitz's recently published *The Transformation of American Law* 1780-1860 (Harvard University Press, 1977). Legal history may be dryness in spades, but this is a work that I strongly urge libertarians to become familiar with. In fact, this book reads amazingly well.

Horwitz quickly demolishes the assumption that the judiciary branch of government sits loftily above the grimy and mundane world of politics. He shows that, time and again, judges entered actively into the political-economic realm by handing down decisions on the side of accelerated economic growth and at the expense of third-party property owners. By so doing, the judges made it impossible for parties injured by these so-called externalities to sue for damages. They had, in effect, rendered the tort law of nuisance and trespass often inapplicable and hence ineffective.

Thus, because they transformed the law, the large-scale problem of "social cost" was born. It has grown into the nightmare we all know today. Once again, *flaws caused by the intervention* of the government into the private-property market exchange system were ascribed to the free market itself.

The whole problem of pollution and despoliation of the environment can be traced to these pivotal judicial interventions which ensured that emerging industrial firms would not have to bear their full costs of production. The costs were socialized—borne by innocent third parties.

This important book will be reviewed in depth in a future issue of *Libertarian Review*, so I will not dis-

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# Washington Watch

## THE MINIMUM WAGE MUDDLE

***By Bruce Bartlett***

In recent months, organized labor has taken quite a beating in Congress. Several key segments of its legislative program have already gone down to defeat, such as Hatch Act reform, while others, like postcard voter registration, have been severely cut back or dropped altogether.

Now labor is trying to regain its clout by ramming through another increase in the minimum wage.

Labor's long-standing support for the minimum wage is easy to understand. Organized labor's purpose is to raise its members' wages above the market level. But this can only be done if entry into the labor market is somehow restricted, which labor accomplishes by means of legislation, strikes, and coercive measures in general. The minimum wage also helps to raise union wages by reducing the gap between the union wage rate and the legal minimum. The larger this gap is, the more incentive there is for an employer to risk an all-out fight against the union, or to move to a "right to work" state. The higher the minimum wage, the smaller the gap, and the less incentive there is for an employer to fight the union and its wage demands.

Union membership as a percentage of the population has been falling steadily for years, and the AFL-CIO now believes that it needs substantial support from federal legislation to maintain its very existence. This is why labor is pouring so much effort into the minimum wage fight.

But labor's traditional allies have not been rallying to the cause as they used to. Once, all that was necessary to ensure a congressman's vote was a call from an AFL-CIO lobbyist. Now, not only has the Congress changed to include a larger number of members who do not automatically follow the AFL-CIO line, but some of labor's other traditional allies in the media and academia are also following a more independent course.

For many years, Herbert Hill of the NAACP has been denouncing unions—especially in the construction trades—as racist because they systematically exclude blacks and other minorities from membership. Now two of the nation's top black economists have denounced the minimum wage as racist because it causes unemployment among minorities.

Thomas Sowell argued in his book *Race and Economics* that the minimum wage had done great harm to blacks by making it less unprofitable for employers to discriminate against blacks in hiring. More recently, Walter Williams of Temple University has gathered a tremendous amount of statistical evidence in a report for the Joint Economic Committee showing the adverse effects of unions and minimum wages on youth and minority employment.

Not only are black economists attacking the minimum wage, but so are liberal economists from the Brookings Institution. In a very important paper published last year in the Brookings Papers on Economic Activity, Edward Gramlich of the University of Michigan argued that "as the minimum wage is increased beyond its historical range of 40 to 50 per cent of the median wage, more and more workers confront the grab-bag combination of a higher wage but a reduced probability of having a job."

Thus Secretary of Labor Ray Marshall recently conceded that the Administration's bill will cost at least 90,000 jobs among unskilled and youth. Nevertheless, he intends to press forward to set the new minimum wage at $2.65 per hour and to index it to 52 percent of the average hourly wage in manufacturing.

The $2.65 figure is a compromise with labor's demand for a $3.00 minimum, but the indexing is by far the most important part of the bill. Inflation has traditionally mitigated some of the bad effects of the minimum wage by lowering its real value. Now that real value will be maintained regardless. And setting the future rate at 52 percent of the national average for wages in manufacturing will raise the minimum wage to far above that figure in areas where wage rates tend to be lower, such as in the South. This is a coldly calculated maneuver by unions to help their recruiting in the South, where they are largely nonexistent.

Perhaps the most significant desertion from the ranks of high minimum wage supporters has been the *New York Times*, which has editorially opposed raising the minimum wage three times this year for precisely the reasons noted above. A few years ago this would have been unthinkable, but since Max Frankel became editorial page editor a few months ago, the *Times* has switched its position on a number of such issues.

Unfortunately, all of this will amount to absolutely nothing when the minimum wage comes up for a vote, because no one wants to look as if he is voting against a wage increase for the poorest members of society. Instead, Congress is likely to adopt an amendment setting the minimum wage for youth at 75 percent of the adult rate. This is a cop-out, of course, but until government learns to stop tampering with the free market in order to achieve some notion of "social justice," it is probably the best we can get.



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## A CRITIQUE OF INTERVENTIONISM

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**LUDWIG VON MISES**

*Translated and with an Introduction by Hans F. Sennholz*

When the great Austrian School economist Ludwig von Mises penned the six essays in this never-before-translated volume, he was addressing himself to the theories and policies that animated the social and economic programs of Germany's ill-fated Weimar Republic of the 1920s. But these classic writings are as relevant today as they were half a century ago. The names and places have changed, but the same tired statist notions still hold sway. And Mises' incisive criticisms, firmly grounded in immutable economic principles, are still valid.

Included here are "Interventionism," "The Hampered Market Economy," "Social Liberalism," "Anti-Marxism," "Theory of Price Controls," and "The Nationalization of Credit?" (left out of the German original through editorial error). Taken together, these essays demolish the notion of the German "Socialists of the Chair" — and today's American "mainstream" economists—that there can be an interventionist middle of the road between a free social order based on private property and a totalitarian command society of government ownership or management of production and distribution. Mises leaves no doubt that the middle of the road leads to socialism, that there can be no democratic middle way between classical liberalism and communism.

Public and academic interest in the teachings of Mises is growing. *A Critique of Interventionism* is sure to command major attention.

---

The late Ludwig von Mises was the leading exponent of the Austrian School of economics. He wrote a shelf of major books dealing with economic theory and social practice, including the classic *Human Action.*

### Interventionism in the Dock: 1926—1978

"Interventionism seeks to retain private property in the means of production, but authoritative commands, especially prohibitions, are to restrict the actions of private owners. If this restriction reaches the point that all important decisions are made along lines of authoritative command, if it is no longer the profit motive of landowners, capitalists, and entrepreneurs but reasons of state that decide what is to be produced and how it is produced, then we have socialism even if we retain the private property label. Othmar Spann is completely correct when he calls such a system a private property order in a formal sense, but socialism in substance." —**Ludwig von Mises**

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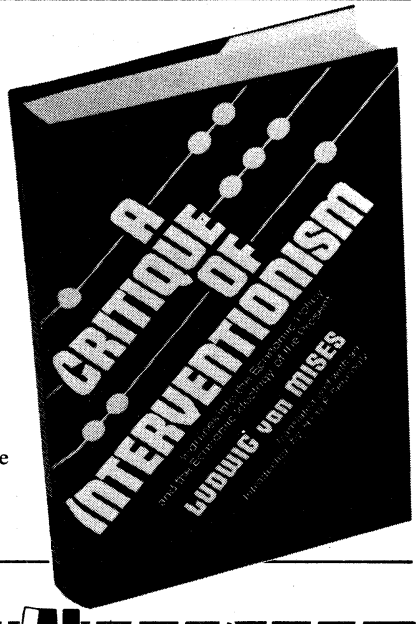


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# THE CRISIS OF BIG GOVERNMENT

***By Roy A. Childs, Jr.***

This special issue of *Libertarian Review* is about "big government," which has become a *cause celebre* today, not only in America, but throughout the world. If anything has characterized the twentieth century thus far, it is an explosion of government power in all its forms, with horrible consequences becoming increasingly apparent to all observers.

But in the past few years, "big government" has come to face a crisis: it has not produced—anywhere—the results which were proclaimed as the goals of government policy; its cost has shot through the roof, requiring escalating raids on the personal income of its subjects; and it has begun to face massive desertions from the ranks of its friends and supporters, from both the intellectual elites of the planet and the masses of the State's victims, who number among themselves the vast majority of mankind.

While big government is not yet on the run, no longer do we find the response to its demands for more money and power to be stuporous assent. There is resistance. And there will be more resistance in years to come: resistance to the interventionist foreign policies of superstates; resistance to violations of civil liberties, both in Communist nations and in liberal democracies; resistance to economic controls, regulations, taxation and "planning." People are beginning to discover—as Messrs. Carter and Brezhnev have not—that economic freedom *too* is a "human right."

## *THE RISE OF MODERN STATE POWER*

But in order to understand better the contemporary crisis of big government, it will benefit us to sketch the trends in government power over the past few centuries. For while the 20th century has seen an explosion of state power, this constitutes a radical reversal of many trends throughout the 17th, 18th and 19th century.

During those centuries, political progress meant the *loosening* of many forms of political control: a rebellion against the "Old Order" of caste and privilege, led by classical liberals, entailed the ending of censorship, the separation of church and state, the freeing of economic activities and international trade from state control and manipulation. The classical liberal revolution, in short, meant the substitution of the "society of contract" for the "society of status," the partial and incomplete triumph of individualism over an earlier form of state control.

Nowhere, however, did this classical revolution triumph completely, and as the 19th century progressed, two forms of radicalism paired off in addressing the problems of the age: an individualistic, "natural rights" version of classical liberalism, and the new ideology of socialism, which came to mean the use of state power to "solve" social ills. As classical liberalism won its partial and incomplete victories, however, it steadily abandoned its radical fervor: abandonment of natural rights in favor of utilitarianism, the acceptance of a meek gradualism in place of a demand that injustices be ended immediately, and, finally, a smug acceptance of "Social Darwinism," spelled the end of the radicalism which was, once, the hallmark of the classical liberal revolution. Gradually shifting to an acceptance of piecemeal social engineering by the State, in area after area, classical liberalism faded, until by the onslaught of World War I, it has virtually disappeared as a force in the Western world. Such Fabian socialists as Beatrice and Sidney Webb could once denounce their classical liberal opponents as "laissez-faire and anti-imperialist," because their opponents were against government power in both the domestic and foreign sphere. By the turn of the century, a significant group of liberals had abandoned "laissez-faire" in the domestic sphere—in favor of "positive" government action to promote a false "reform"—and anti-imperialism in the international



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sphere—so that the glories of the British (and other) empire could be extended across the international scene. Classical liberalism was no longer: with a drastic shift in meaning, the term "liberalism" was captured by a group of reformist socialists differing hardly at all from the more consistent socialists who laid claim to the mantle of radicalism formerly worn by the classical liberals themselves.

The ideal of the elimination of state coercion was dead; in its stead stood shades and degrees of statism, the elevation of state planning and control as a solution to the world's problems, to the status of a universally accepted political ideal.

## THE TWENTIETH CENTURY

The twentieth century, as I have written elsewhere, "is the century of power: a century where State coercion and violence have become commonplace. Every conceivable form of Statism has been tried in this century: Fascism, Communism, Social Democracy, the Corporate State, and military dictatorships."

One by one, these ideals have been blackened. Fascism and Nazism were the first to be abandoned, with the ruin and horror of World War II, the militant nationalism, brutality, concentration camps, and war. Intellectuals who had found virtue in these systems beat a quick retreat.

Stalinist communism was not far behind. In the 1930's, we used to hear that Stalinism was the only alternative to Hitlerism, and apologists for Stalinism could be found everywhere. But as the truth leaked out concerning the reality of Stalinism, advocates of this point of view too, beat a quick retreat. Could we have a humanistic communism? At first intellectuals thought we could, but one by one, communist systems have been debunked: they offered neither economic prosperity nor any respect for civil liberties. And they proved usually as militaristic as any rival system. We heard first from those who revolted in Eastern Europe, then from the Russian dissidents themselves—led by Solzhenitsyn and Sakharov—and finally have begun to witness the debunking and deflation of the Maoist myth: Maoism has proved as pathetically totalitarian as any communist rival. The reception given to Simon Leys' book, *Chinese Shadows*, shows that this last communist pillar has begun to crumble. The god had truly failed.

## THE SOCIALIST IDEAL

But if the god had failed, the temple remained erect. Why? What accounted for this hold that socialism had on the minds of the intellectuals? For Vilfredo Pareto, socialism was but another form of "spoliation," which he identified as the process by which one group seeks to plunder another. And, indeed, some have been so unkind as to suggest that *this power lust* is all that is behind the advocacy of socialism by the "New Class," that class of intellectuals and the like who would rule under socialism. Part of the truth that may be, but it is less than the whole truth.

Intellectuals were not merely attracted to socialism and communism because of power lust, but because of two deeply felt ideals which they saw as imbedded in the socialist vision: equality and the planned economy. Surely if communism or socialism had *any* justification, it lay here. These, if nothing else, remained valid goals of social and political policy. Thus the retreat from Stalinist communism to a false "humanistic" communism to full socialism to . . . social democracy.

Social democracy was a muddied version of socialism, which tried to combine democratic freedoms with a pursuit of equality and a planned economy. Could it work? Friedrich Hayek, in his masterly work *The Road to Serfdom*, claimed that it could not.

The Social Democrats were out to prove him wrong. But without success. Economic planning to produce economic prosperity led to international conflict, discoordination of resources, and economic chaos. The pursuit of equality produced a group of bureaucrats—the "New Class"—who controlled the egalitarian machinery, and became "more equal than others." The inflationism behind both pursuits led to recession, unemployment, and the breakdown of the international system of economic cooperation. Nothing seemed to work. Was socialism dead? Or could it maintain its hold on the minds and passions of the intellectuals?

## THE DECLINE OF SOCIALISM

In his essay "The Socialist Myth," in the Summer 1976 issue of *The Public Interest*, Peter Berger maintained that "ideologically Marxism is on the ascendancy everywhere—except in the countries that call themselves Marxist." This, he claims, is because "socialism (is) the only good myth going."

This, however, is not quite correct: socialism has been in retreat in socialist and non-socialist countries alike. Socialism has, after all, never delivered on *any* of its major promises, and there is a marked retreat even within socialist and communist political parties away from nationalization and other ideals which once formed the core of socialism. In and out of power, as Don Lavoie points out in his article in this issue, socialism is selling out.

Moreover, many former socialists and Marxists are in the forefront of this retreat from socialism.

This can be seen most clearly, perhaps, in the case of France, which has recently suffered not only a split between the Socialist and Communist parties, but has seen some of its most innovative and creative young intellectuals take up the struggle against Marxism and socialism. "For the first time in a hundred years," wrote Andrew Greeley recently in the New York *Daily News*, "Marxist theory is in serious trou-



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ble in the left wing of the French intelligentsia. The elegant, polished Marxist model has begun to lose its grip on the elegant, polished French intellectuals. The virtual domination of Marxism among the world's intellectual elites may be coming finally to an end." These "New Philosophers" of France, as they are called, are "a group of young intellectuals, most of them lapsed Marxists, who are now attacking Marxism as an evil, obsolete ideology that leads inevitably to totalitarisnism." (*Time*, 9/12/77) One of these "New Philosophers," Bernard-Henri Levy, wrote recently (translated in *The New Republic*): "The Socialist utopia, once it has come about, is the consummate form of order and the police state. This gives birth, therefore, to a new extreme left whose program is reduced to one pure and simple commandment: govern as little as possible."

## *A NEW CLASSICAL LIBERALISM?*

Neither Levy nor any of the other "New Philosophers" has gone so far as to adopt an earlier classical liberalism—or the libertarian ideology—as a guidepost. Libertarianism has only just begun to penetrate the public awareness of the French. Nor have they even progressed as far as to adopt the radical classical liberal ideology of Marx's libertarian predecessors: Charles Comte, Charles Dunoyer, Benjamin Constant and Augustus Thierry, to name only a few who are beginning to be rediscovered in America. But the retreat from socialism is crystal clear.

So too is the retreat from social democracy. Irving Kristol has recently written that "The world since 1945 had gradually been transformed . . . along the lines prescribed by the social-democratic vision. But without the anticipated consequences. Political orders were becoming less stable, not more so. Social tensions were increasing rather than decreasing. And neo-Keynesian economic policy—the economic basis for social democratic policies—began to promote a crippling inflation. Another political god was set to fail."

But not, for Kristol at least, the god of the welfare state. For in the same article, he brags that his own brand of retrenchment from Social Democracy, i.e., "neo-conservatism," unlike "liberal individualism . . . is not opposed *in principle* to the welfare state." For Kristol, the welfare state "can be an integral part of a conservative society." Neo-conservatives are liberals who have discovered, as a recent cover feature of the liberal democratic magazine *The Humanist* has declared, that there are "limits to welfare." But, not objecting to the welfare state "in principle," it might be profitably asked whether they are competent to lead a retreat from the very same "big government" that all forms of socialism represent and defend.

Surely, it is by now apparent to all what the failings of social democracy and the welfare state are: redistributionism, even in a gradual form, *has its limits*. If you continually seize larger and larger portions of the personal income of people, sooner or later they start to die off like flies. Even if you proceed to give them government-provided food, the production process will eventually grind to a halt. You will reach what Ludwig von Mises called "the exhaustion of the reserve fund." Government officials all over the world are beginning to realize this. In more and more Western countries, the percentage of personal income which governments seize to carry on their social programs has risen to astronomic proportions. Government expenditures in country after country are topping 50 and 60 percent. Government control over the economy has reached its limits, too: even in China, a delegation of Chinese recently sneaked into Yugoslavia to study the management of that communist country's economy, which has less government involvement and planning than any other in the communist world.

## *THE NEO-CONSERVATIVES AND THE CONSERVATIVES*

Can the neo-conservatives call a halt to this process? There is no indication or evidence that they can. Neo-conservatives are retreating liberals who eschew "ideology" in the name of "practicality." They recognize the limits of statism . . . but do they uphold any contrary vision, goal, or ideology? Quite the contrary. While Irving Kristol and others realize the bankruptcy of the ideal of equality—and that liberty is its only logical foe—they also claim that the ideal of liberty can never successfully replace equality as a public ideal and vision.

*The neo-conservatives are, today, the social equivalent of those classical liberals of the 19th century who moved away from the vision of individual liberty in the name of "practicality."* Today, the neo-conservatives are leading the retreat from socialism, without any contrary ideal or ideology accepted in its place. They accept "some" government redistribution of wealth, "some" egalitarianism, "some" elements of the welfare state, "some" restrictions on personal liberties, and "some" (often a good deal more than "some") foreign policy adventurism. They are obstacles to increased statism in some fields, not leaders determined to fight for any different goals. While they may provide a *brake* on "big government," *they do not provide a true alternative.*

But can the conservative? Many think that, after the neo-conservatives, the best hope for stopping the growth of government lies with American conservatives.

## *CONSERVATIVES AND WAR*

The credentials of conservatives as opponents of big government are, however, in sad shape indeed. Not only are conservatives congenital defenders of government intrusions against personal liberties, such as the victimless crime



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laws, they are the most enthusiastic supporters of an aggressive foreign policy, as well. It often seems as though conservatives regard the Pentagon and military expenditures as being *outside* of the government, not to be counted as part of that selfsame "big government" which, elsewhere, they oppose. Nowhere is this better seen than in the case of Ronald Reagan. In his standard speech while running for President, between two forceful sentences railing against welfare expenditures and the growth of government spending, Reagan would sandwich a trumpet call for *more* military spending, for more armaments and extensive foreign policy commitments, as though the Pentagon and its activities were not part of the very "big government" that he had spent so much time denouncing.

Yet in his book *The Governmental Habit*, reviewed in this issue by Walter Grinder, Jonathan R.T. Hughes notes the essential consequences of war and the interventionist foreign policies which led to American involvement in war:

> Each war inflated the economy and gave the federal spending mechanism a scope it did not previously have. The historical expansion of the federal sector has been mainly achieved by a few short bursts of wartime spending, not by a steady rise related to the country's population growth, or the GNP it produced. . . . Once a new plateau of expenditures was achieved the gains were held. For this reason alone, those who proposed some abatement of federal expenditures in the post-Vietnam War period has little reason to hop. The tax-system ensured self-financing of government expansion.

Looking at expenditures alone, it is easy to see that every war brings massive growths in the role of the government, which growth is substantially maintained after the war comes to an end. A quick glance at any almanac will show this to be the case.

## WAR AND BIG GOVERNMENT

Government expenditures in America had reached an average of $60 million by 1860. The Civil War, however, saw such spending skyrocket to $684 million. After the war, spending dropped by half, but remained *five times* as high as before the war.

By the First World War, expenditures had crept back up to $746 million, but hurled upward to *$12.7 billion* in 1918. Then spending dropped, but again remained at about five times what it had been before, with increased tax revenue going to other projects and government programs.

During the pre-war New Deal, expenditures doubled, from $4.6 billion in 1933, to $8.8 billion in 1939 (not the least cause of this was military "preparedness"). But spending shot upward to more than $98 billion by the end of the war. Once again, expenditures dropped at the close of the war, but remained at about half the peak during the war, again about five times the pre-war spending levels.

During the period of perpetual "preparedness" and incessant interventionism of the Cold War, government spending both in military and social welfare spheres was continually increased, reaching the peak levels of World War II only by the early 1960's. With the advent of the war in Indochina, spending increased constantly; with the end of the Vietnam War, there was no decrease, but only a shift in spending to welfare programs. "Defense" spending decreased as a percentage of total federal spending, but not absolutely.

In short, *the greatest single cause* of growing government spending and control over the American economy is war. The same is true elsewhere, in other countries. No attempt to deal with "big government" without coming to grips with that fact can be considered anything more than a sham and a lie.

## THE LIBERTARIAN ALTERNATIVE

All this leads inevitably to the conclusion that if there is to be a true revolt against big government, it must of necessity be led by libertarians. We see the evidence in every article in this issue: in Lawrence White's "The Decline of New York," the consequence of "big government" in microcosm; in Henry Ferns' "Great Britain: The Radicalism the Case Requires," the consequence in macrocosm. In Don Lavoie's "The Decay of Radical Socialism," we see the result of socialism in power. Walter Grinder reminds us of the failure of government planning, and the promise of a free market economy. Joseph Peden shows us the consequences of state control over education.

The "statesmen" of the future will of necessity be *anti-statesmen*: political figures whose leadership will be judged by their genius in *reducing* the size and scope of government, by their ability not in erecting new government structures, *but in dismantling existing ones*. As Tom Bethell has written, "If the climate of opinion with respect to government continues to change, we may soon be on the lookout for someone who can solve the greatest puzzle of representative democracy: how to reverse the ratchet of government."

But that can only be done, not by compromising, demagogic conservatives, or by liberals beating a retreat, but by a new political force with a new political vision. *Newsweek* has insisted that "what is needed, clearly, is a new definition of what government should do and what it can do, given current economic limits."

In economic affairs, in civil liberties, and in foreign policy, libertarians stand for individual rights and for radical opposition to government power. We oppose what government does not because it is "too expensive," but because it is *unjust*. We alone have the wisdom and honesty to acknowledge and declare that the *only* way to reduce the size of government is to cut back on its functions.

To do *that*, we must have the political courage to speak clearly, and to *act*.



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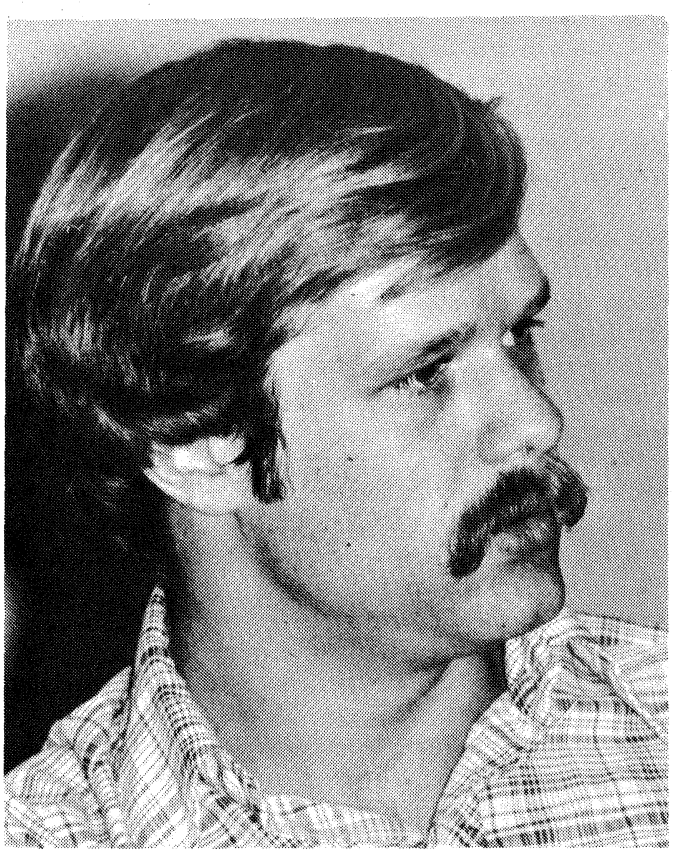
# THE DECLINE OF NEW YORK

## *By Lawrence White*



*Lawrence White* Photo by Albert Zlabinger

Twelve years ago, John Lindsay, Republican candidate for mayor, promised the people of New York that he would cut the city's bloated budget by $300 million. He promised them that he would not repeat outgoing Mayor Robert Wagner's recent act of borrowing short-term to cover a gap in the expense budget. Sixteen months ago, Abraham Beame, incumbent Democratic candidate for mayor, proclaimed that his administration had finally "weathered the storm" of its persistent financial troubles. He presented what he claimed was a balanced budget for fiscal year 1977-78. How much longer do the people of New York intend to suffer such liars?

Taxpayers across the country should be concerned with this duplicity, if only because it is their own money which is being squandered. In July of this year, upon the nod of Treasury Secretary W. Michael Blumenthal, the Federal Government advanced the city government $750 million in short-term loans under the New York Seasonal Financing Act. This is the third consecutive year that such a loan has been made. The Congressional General Accounting Office (GAO) has already warned that New York officials will be back begging for more Federal help when the Act expires next summer. In contrast to Abe Beame's rosy prognosis, a GAO report issued in April claims that "substantial financing needs and continuing budget pressures will likely present the city with a continuing crisis for some years to come." In short, the nation's taxpayers have not heard the last of New York City's woes.

What the government of New York got away with—rampant growth in bureaucracy, budgets, and borrowing—is only an extreme example of what state and local governments have been getting away with across the country for years.

In 1975, state and local governments spent $318.5 billion—more than three times the $101 billion they spent ten years earlier. They consumed more than 14 percent of the GNP. Between 1965 and 1975, state taxes rose from $26 billion to $80 billion. Local taxes climbed from $25 billion to $61 billion. The number of state employees has risen from 2 million to 3.3 million; of local government employees has skyrocketed from 6 million to nearly 9 million. Over the decade, average wages of state and local government employees doubled, so that $2.6 billion and $7 billion is now funneled *every month* to state and local government employees, respectively. Debt, too, was on the march: state and local debt mounted to more than $200 billion in 1975, more than half of it accumulated since 1965. New York City, in short, was not alone, but because of the national media and its own prominence, it was the first to have its crunch reported to the American people at large.

### *BACKGROUND TO THE FISCAL CRUNCH*

The immediate cause of Mayor Beame's fiscal crisis was the



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wild growth of New York City's indebtedness during the previous ten years, especially the proliferation of short-term notes issued to paper over budget deficits. The paper game continued in 1975 with the creation of the Municipal Assistance Corporation (MAC), to replace these notes with long-term bonds, and each summer, too, with the extension of Federal credit.

Debt restructuring cannot end the crisis, however; it can only delay its final resolution. Nor can it ease the plight of New York's taxpayers: they must ultimately pay both the principal and the extra interest. Nor does it go to the root of the crisis, because it does nothing to dissolve the alliance of interests which brought New York to the brink of bankruptcy two years ago, where it teeters still.

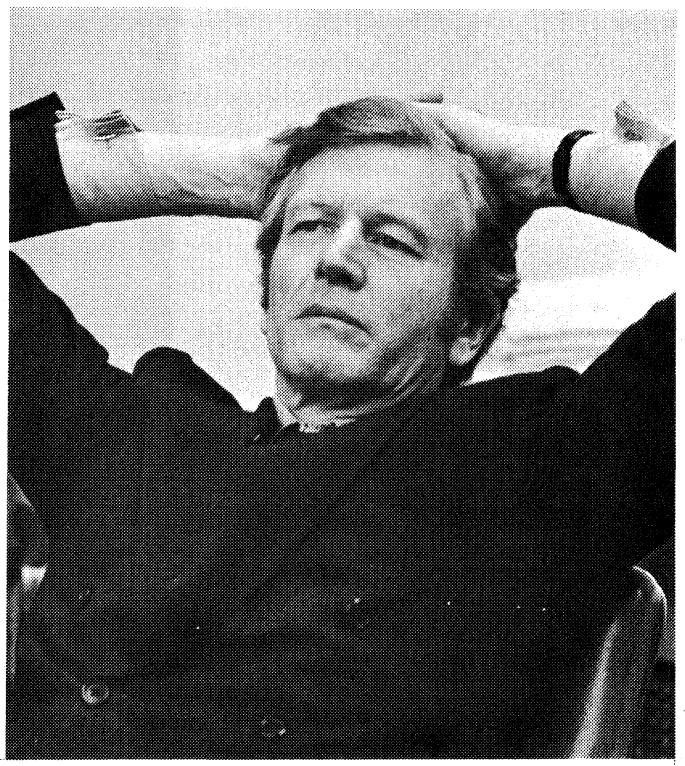
The fiscal deceit of New York's rulers began at least as far back as 1963, as Ken Auletta related in his excellent chronology of "Twenty Critical Decisions That Broke New York City" in *New York* magazine (October 27, 1975). The constitution of New York has always required the mayor to submit a balanced budget, but when the city charter was amended in 1963, certain safeguards against his doing so by fictional accounting practices disappeared. Mayor Robert Wagner soon proposed to balance his $3 billion budget by pushing an expenditure item into the next year's budget.

His comptroller, none other than Abraham Beame, suggested that Wagner rearrange the numbers instead, to pull the following year's state aid into the upcoming fiscal year. Beame also suggested that estimates of tax revenue be inflated, a tactic which Wagner also adopted. The sleight-of-hand had begun.

With constitutional restrictions on borrowing and spending weakened, New York's mayors succeeded in accelerating their expenditures even faster than they increased their tax plunder. Between 1965 and 1975, tax receipts rose by 6.8%, but expenditures rose at a much faster rate—13.1%. Wagner hid $26 million of current expense items in his capital budget—financed by long-term borrowing—in fiscal year 1964-65. This strategy soon became a favorite of the next two mayors: $2.4 billion in current expenditures was financed this way over the next ten years, adding $250 million in interest charges to the burden borne by the city's hapless taxpayers.

For the first time ever, in 1965-66, Wagner proposed to cover a $256 million deficit in his $3.87 billion budget by outright short-term borrowing. His scheme required the approval of the state legislature; Governor Nelson Rockefeller corralled Republican votes in its favor.

Despite his campaign pledge, five years later John Lindsay was also issuing short-term notes to cover a deficit of $308 million. Every year these notes were simply refinanced, rather than repaid. Further notes were issued to cover fresh deficits. They were issued in anticipation of tax revenues which would never materialize—particularly taxes on real estate which had been abandoned due to rent control. They were issued in anticipation of taxes which had in fact already been received and spent. Over a nine-year period, the city government piled up over $2.6 billion in budget deficits. The Big Apple's finances began to rot.



*John Lindsay* (The Daily News)

## *FROM LINDSAY TO BEAME*

John Lindsay blamed Wagner for the deficits he inherited. Abe Beame blamed Lindsay. But Beame was not only Wagner's comptroller, he was the City Comptroller during Lindsay's second term: as Ken Auletta put it, "his fingerprints were all over the document." Lindsay and Beame were jointly responsible for a 1973-74 budget which smuggled a record $564 million share of current expenses into the capital budget, postponed statutory payments, rolled over the outstanding notes once more, and still outdistanced revenues by an additional $211 million. It was a remarkable feat.

In his first year as mayor, Abe Beame put even John Lindsay to shame. His $11.9 billion budget for 1974-75 jacked up the nation's highest taxes by another $44 million, raised $280 million by prematurely collecting sewer fees, pushed $722 million of current expenses into the capital budget, and with state approval created a Stabilization Reserve Corporation to raise another $520 million through long-term borrowing. Racketeers must have been envious.

In 1965, the city government's short-term debt stood at $526 million; by 1975 that debt had swollen more than tenfold to $5.7 billion. Total debt more than tripled to $13 bil-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lion. With under 4% of the nation's population, New York City was issuing *18% of the nation's municipal bonds and 39% of its short-term tax-exempt notes.*

In the spring of 1975, the market for those notes finally collapsed. The city government could sell only $375 million of a $912 million offering even at high gross interest rates.

The confidence of municipal bond-and-note-holders was shaken by the temporary default of New York State's Urban Development Corporation (a Rockefeller pet project) in February, 1975, and they were awakened to the precarious state of the city government's finances. The city government was no longer able to find buyers for its notes, and MAC was created by the State of New York on June 10, 1975, as a proxy borrower. The agency was to issue $3 billion of its own bonds, backed by city sales tax and stock-transfer tax revenues, in order to convert the municipality's maturing short-term debt into long-term debt.

MAC raised $1 billion in July—aided by the report that Federal Reserve Board chairman Arthur Burns had promised city officials the Fed would bail them out if necessary—but soon ran into its own borrowing difficulties. On September 9, the state legislature passed the Financial Emergency Act, which provided for purchase of MAC bonds by city and state employee pension funds and the state treasury, and which created the Emergency Financial Control Board (EFCB) to oversee the administration of the city government's financial affairs. The EFCB was to steer the city's rulers to a no-gimmicks balanced budget by the fiscal year 1978-79, thereby restoring their creditor's confidence, and thus enable them to return to the credit market on their own.

But the crisis continued to mount.

## *THE MORATORIUM ON DEBT*

At the height of the crisis, in November, 1975, New York City went into virtual default as it declared a "moratorium" on redemption of close to $1 billion in notes coming due in December. The default was part of a new fiscal rescue package which also included a great deal more: new and higher tax levies designed to add $200 million more to the $5 billion the city government seized annually, the purchase of $2.5 billion in city obligations by municipal employee pension funds, the roll-over by the banks of $1 billion in maturing city notes, and the promise of $2.3 billion over the next three years in federal "seasonal" loans.

Less than four months after the rescue plan was thrown together, the glue behind Beame's attempt to paper over New York City's insolvency was coming unstuck. The city government had fallen well behind its announced "budget-cutting" schedule.

In February, 1976, Mayor Beame revealed to the EFCB that the 1975-76 deficit was now estimated to be $1.021 billion rather than the $724 million originally claimed. The additional gap was due to false estimations of tax revenues and welfare costs. In June the city government seemed to be on the brink again when its first batch of federal loans approached maturity. Its "budget-balancing" plans were still filled with trickery, including as anticipated revenues some $302 million in state and federal aid which had never been promised and in one case had been explicitly denied.

**Lindsay blamed Wagner for the deficits he inherited. Beame blamed Lindsay. But Beame was not only Wagner's Comptroller, he was Comptroller during Lindsay's second term**

In December, 1976, the city officials were faced with yet another refinancing crisis when a State Court of Appeals ruled that the debt moratorium declared thirteen months earlier was unconstitutional. MAC bonds were now selling well to the public, since Jimmy Carter had been elected the previous month, but banks and pension funds were saturated with them. Felix Rohatyn, chairman of MAC and the designer of all the city's refinancing schemes since MAC's formation, came up with yet another package deal. The plan involved a "stretch" of the MAC bonds held by the major New York banks, to which the banks refused to accede with an agreement on a continuation and strengthening of the EFCB and the establishment of a mechanism to guarantee that the city government's budget would be balanced.

The banks' demands were unacceptable to Beame and the union leaders. Abe Beame responded by scraping together a surprising $600 million in cash and mortgages—three times the amount he originally claimed he could raise—and a plan to swap the remainder of the overdue notes for MAC bonds. The desperate scheme for selling mortgages—issued on subsidized housing built by the city—was so short-run in its focus that it represents a loss to the city's taxpayers of close to $800 million, since the mortgages can only be sold at a fraction of their original face value. So petty and devious have city officials become that they announced plans in July, 1977, to sell at least half of the mortgages (insured by the FHA) in the form of tax-exempt bonds backed by the mortgages, so that they can pocket the difference between the interest rate on mortgages and the lower rate on tax-exempts.


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Mayor Beame's budget for the fiscal year 1977-78, which began July 1, is balanced only by dreams and deceptions. Fresh debt will be created to cover the more than $600 million of current expense items which have been smuggled into the capital budget. Wyndham Robertson, writing in *Fortune* (July, 1977), projects the deficit for 1978-79 at $600 to $800 million, depending on the outcome of the union negotiations this winter.

Beame needs to borrow a total of $8 billion this year. The outlook for the following year is no better. With millions in unfunded pension liabilities, hundreds of millions in MAC debt service requirements, and several billions on city notes all coming due in the next few years, the stories of New York City's fiscal woes will return to the front pages before long.

### *SHOWCASE OF BIG GOVERNMENT*

How the New York City government managed to spend itself into such a deep hole is a story in itself. The local government of New York has spent far more per capita than that of any other city in any other state. It spent $1286 per capita in 1972-73. In the same period, the local governments of Los Angeles spent $759, Philadelphia $653, Detroit $650, and Chicago $600. New York found an array of outlets for its taxpayers' and creditors' money matched by no other city government. When "Great Society" grants for day care centers, drug "treatment" programs, job training, "youth services," and the rest ran out, other city halls cut back. New York shifted the burden onto its own taxpayers and kept spending.

Six hundred million dollars was lavished each year upon an open-enrollment tuition-free (now nominal-tuition) City University which gave one-sixth of its students stipends averaging $30 a week, and which found it necessary to spend $30 million annually on remedial schooling for students inadequately prepared by the city's public school system. While providing inferior education, that school system last year spent an amazing $2600 per pupil, about four times what was spent in the church-affiliated schools of the Archdiocese of New York, and more than the tuition of good private schools in the city. Welfare-related expenditures, which amounted to $3.5 billion this year—about one-third of the total budget—are higher per recipient than in any other major city. As a result, *there are now 1.1 million welfare recipients living in New York City.*

In 1972-73, the city government spent more per capita on police and fire departments, much more on health and hospitals, and twice to five times more on pensions and on debt services—$2.4 billion last year—than any of the next


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four largest American cities. The city government even runs its own radio and television stations.

Half of the New York City budget goes to municipal employees, who recently numbered 336,000—the nation's second largest bureaucracy—and whose salaries are the highest in the nation. According to *U.S. News*, the average annual gross-pay, not counting overtime, for a city sanitation worker is $28,033, which includes $11,684 in fringe benefits. A firefighter receives $35,288 ($15,719 of it in fringes), a teacher $30,288 ($9,638), a social worker $31,009 ($11,764), and a "climber and pruner" (for trees) $27,351 ($10,641). The average for all city workers is $16,311 in base pay plus $10,396 in fringes, for a total take out of their working neighbors' pockets of $26,707 each year.

Growth in the number of city employees and in their salaries has been breathtaking. Between 1969 and 1974, New York's population shrank steadily and the city's private economy declined by 73,000 jobs per year, but the ranks of state and local government employees in the city swelled by 9000 annually. The net result was that the number of tax-generating private workers supporting each tax-consuming city employee dropped from twenty to nine. Between 1960 and 1974, the number of city employees per 100 citizens grew by 69.9 percent and their average remuneration shot up by 129 percent.

It is precisely this growth of the parasitic political sector which has choked the life out of New York's social economy. The city's absolute tax burden more than doubled between 1965 and 1975, and rose from 7.3 percent to consume more than 10.2 per cent of its residents' disposable income. The municipal budget began the decade comprising about one-eighth of the total metropolitan economy, and ended the decade with twice that share, approximately one-fourth.

In short, the ratio of host to parasite fell from 7:1 to 4:1.

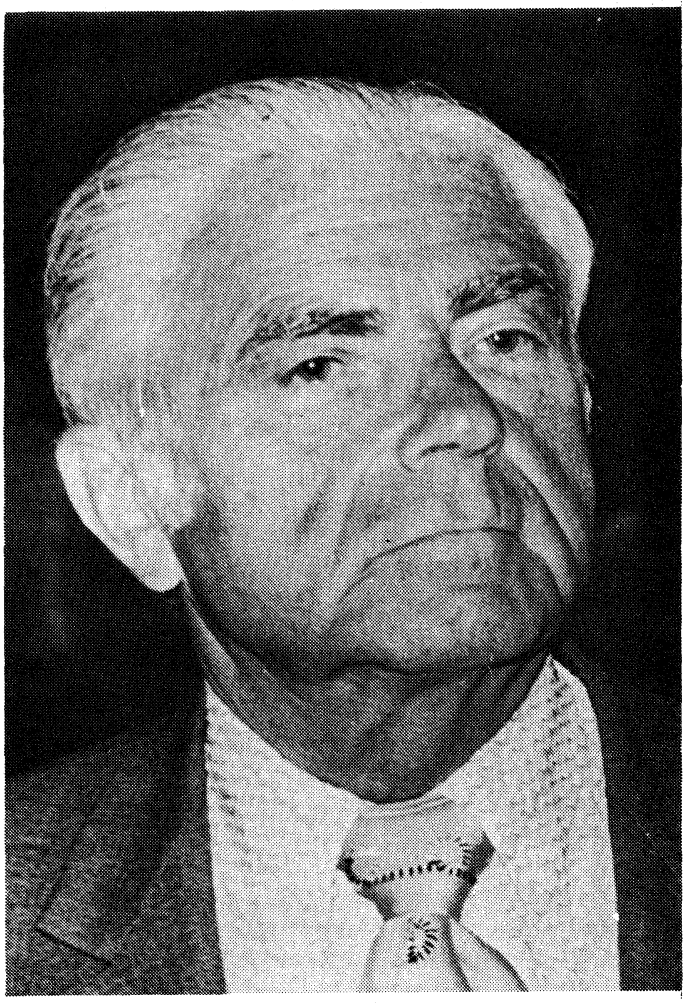
Higher state and local taxes have been pushed on people living in the City of New York than in any other spot in the United States: to $1025 per capita or $4100 per family of four. Residents face an 8 percent sales tax *and* a high state income tax, *plus* a city income tax which strips $179 from a family of four with an income of $15,000 per year.

Businessmen have faced levies on fuel, stock transfers and machinery and equipment rentals, to name just a few items. For businessmen, the municipal bureaucracy is among the most oppressive.

Not surprisingly, many of New York's executives have sought relief by relocating themselves and their businesses across the borders in New Jersey and Connecticut. Ten years ago, Manhattan held the headquarters of 198 of the nation's top 1000 companies; today it holds only 120. The number keeps dropping. The exodus has meant a loss of 645,000 jobs for the city since 1969 alone. The much-discussed "erosion of the tax base" of New York is thus *not* an independent event cruelly "victimizing" the city government, but rather the *predictable result of a policy of victimization by that government.*

It is a *cruel hoax* to point to government spending as a contributor to the city's economy. Especially deceitful is the logic of GNP accounting, whereby the more a government spends while providing *any* level of services, the more it is said to "contribute." It is impossible meaningfully to calculate an economic value for those facilities and services which the agencies of the city government provide, for tax-financed provision lies entirely outside the nexus of the social exchange economy. It is clear, however, that those municipal monopolies waste an *incredible* amount of the taxpayer's money in operating schools, hospitals, courts, transit lines, and other facilities, and in providing fire protection, sanitation, street maintenance, police protection, and other services.

"Minimal effort"—i.e., goofing off—is a way of life for many city employees: their job tenure is rendered nearly inviolable by the sticky combination of civil service and public



*Abe Beame* (UPI)



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employee unionism. The number of city cops increased by 50 percent between 1940 and 1965, yet the total number of man-hours worked by the force was *lower* in 1965 because of shorter weeks, longer lunch hours, more holidays, vacation days, and sick leave days. Similarly, a 50 percent increase in the number of teachers, plus the hiring of teachers' assistants, brought almost no reduction in the average size of the public school classrooms because teachers shortened their working hours and passed along their duties. Bus drivers for the Metropolitan Transit Authority work eight hours a day but receive pay for fourteen, because few drivers are needed between morning and afternoon rush hours; efficient splitshift scheduling has proved impossible to push through.

When demand for space in municipal hospitals began to decline in recent years, the agency which runs the hospitals reacted by holding onto patients who should have been discharged. All in all, the number of city jobholders increased rapidly in the decade prior to 1975 without any noticeable rise in the level of services provided. The productivity of those jobholders simply declined by some 30 percent. All of these services could be provided more cheaply and more responsively by private enterprise, which faces the incentives and signals necessary for productive and allocative efficiency.

While these facts and figures on New York's fiscal distress can be found in establishment publications, a number of leftist authors have also pointed out the additional impetus to debt spending, chiefly on capital construction projects, given by the financial community. David Rockefeller of Chase Manhattan, Walter Wriston of Citibank, Ellmore Patterson of Morgan Guaranty, and others have indeed taken their cut underwriting and investing in city obligations and MAC bonds. The big banks were stung when the face value of city obligations dropped unexpectedly in the spring of 1975, and they were instrumental in establishing MAC and the EFCB to shore up the city's credit. Their skittishness reflected the precarious state of their own finances under the fractional reserve banking system: close to 25 percent of their equity capital and 5 percent of their assets are held in the form of city obligations.

Eight of the nine original members of MAC were connected with banking or brokerage. Felix Rohatyn, who eventually became chairman of MAC and a member of the EFCB, is a partner in the prestigious investment banking firm of Lazard Freres. Rohatyn has been a leader among corporate liberal central-planning advocates in calling for a federal agency to bail out insolvent private firms. modeled after F.D.R.'s Reconstruction Finance Corporation. He evidently does not grasp the folly of throwing good money—and the evil of throwing taxpayers' money—after bad.

In the two years which have passed since the peak of the fiscal crisis there has been much talk about budget cuts and wage freezes. The sad truth is that there have been neither. Even when adjusted for inflation, spending has risen by more than $1 billion and currently stands at more than $13 billion. "Despite all the maneuverings we've been through, we haven't saved a penny," Congressman Herman Badillo has commented. Savings of $250 million which Beame projected for 1976-77 somehow never materialized. For 1977-78 he has projected a rise of $100 million.

Though the city government has cut its full time work force by approximately 58,000, or somewhat less than 18 percent, there have been savings in the payroll of only 6 percent. For many city jobholders, wages rose by 8 percent in 1975, and a scheduled rise of 6 percent in 1976 was not cancelled but merely postponed by the EFCB and granted this year. True to their basic exclusionary function, the unions have shown a marked preference for layoffs rather than pay cuts; they have preferred to lose some of their membership rather than imposing on those who remain on the inside.

**In 1965 the city government's short-term debt stood at $526 million; by 1975 that debt had swollen more than tenfold to $5.7 billion**

Mayor Beame added $50 million for raises to the budget for 1978, no doubt because he was running for reelection. But the people of New York have rejected Beame's bid for a continuation of his power. Defeated in the primary campaign for the Democratic Party nomination for mayor in early September, Beame went before the citizens of New York to claim that he had "not let the city down." While Beame was defeated, however, the underlying causes of New York City's troubles linger on, and New Yorkers have yet to show any signs of demanding an honest and immediate cutting away of the government whose spending, borrowing, and taxing has been strangling them and their beloved city.

Until they do so, they will only show themselves quite ready to suffer liars—and worse—indefinitely.

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*Lawrence H. White has been a student of philosophy and economics at Harvard University, where he was editor of the Harvard Political Review. He is currently pursuing graduate studies in economics at U.C.L.A. His monograph "The Methodology of the Austrian School" was published this year as an Occasional Paper of the Center for Libertarian Studies.*


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# THE DECAY OF RADICAL SOCIALISM

## *By Don Lavoie*

Photo by Albert Zlabinger

*Don Lavoie*

The Socialist International had its last congress in Geneva a few months ago, and the old gray mare ain't what she used to be. "A gathering of Socialists," Flora Lewis of the *New York Times* observed, "is no longer a steamy session of ardent idealists and dreamers; it is also an occasion at which men who wield government power meet and talk about their problems." The socialists are retreating from radicalism because they are dealing with the real everyday problems of running a state apparatus, and for this purpose the radical perspective is not suitable.

Throughout the ages of oppression by governments there has always persisted a determined radical opposition, those who consciously view themselves as diametrically opposed to the ruling class, and who are willing to risk all to weaken or crush tyranny wherever it rears its ugly head. Libertarians have historically often been at the forefront of such radical movements, though unfortunately they constitute a minority today. Socialism, especially in its prime, captured the imagination of radicals all over the world. But this is already changing as the aging socialist ideology becomes increasingly compromised, as its unworkable policies refract against reality, and as its ideological foundations are refuted.

In the contemporary American political spectrum the radical perspective, although too broad to be sharply defined, can be roughly illustrated by example.

### *THE RADICAL PERSPECTIVE*

For the conservative, the Vietnam War was a victory for the enemy caused by our "timid" execution of the war. For the liberal, it was a tragic mistake by well-meaning rulers. For the radical, the Vietnam War was the result of French and American imperialism, or more specifically, it was mass murder, and its perpetrators were not erring statesmen, but simply criminals.

The conservative defends the existing property arrangements and laments the disruption to law and order caused by radical opposition. The liberal wants change within the system and writes letters appealing to the good conscience of the torturer. The radical buys a gun in case the Gestapo comes to his door next. The conservative appeals to law, the liberal to democracy, the radical to justice. The radical is distinguished both by his extreme opposition to existing injustice and by his vision of a better world. He is a revolutionary rather than a reformist.

And we live in a world where radical opposition is quite necessary and justified:

- In Paraguay, from November 1975 to May 1976, there were a thousand political arrests and the peasants are reported simply to "have no rights at all." The fascist General Stroessner has seen to the slaughter of half the


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population of the Ache Indians since 1968. (*Manchester Guardian Weekly*, February 27, 1977)

- The thugs who direct the current Cambodian government are reported by those few who escape to employ "harsh methods which have decimated the Cambodian people and are bleeding a whole generation." (*Le Monde*, April 17, 1977)
- In recent years several thousand people have tried to get from the east to the west side of a German city but have been kidnapped and about two hundred of them killed by the East German government. (*Manchester Guardian Weekly*, May 8, 1977)
- In Indonesia, there are an estimated "100,000 prisoners, most of whom have been held for 10 years without charge or trial." (Amnesty International, *Matchbox*, Winter '77)
- The governments of the world are not content to oppress their "own" populations. They spend, in total, hundreds of billions of dollars a year on modern implements of mass-murder, threatening every living thing on the planet with nuclear destruction. And as if this were not enough, these bloodthirsty militarists are designing new kill machines such as the proposed Neutron Bomb which will kill people in a couple of nightmarish hours without destroying buildings or property. *Efficient* genocide.

But why should an American, among the least oppressed in the world today, be a radical? Aren't these savage regimes far away and unrelated to our middle-class, comfortable existence? Not a chance. Not only does our tax money support the largest and most "advanced" military machine on Earth; many of the most barbaric of these regimes owe their survival to the largess of the United States Government. *Le Monde* recently reported that "Brazilian, Uruguayan, Argentine and Chilean experts who have shamefully institutionalized the torture of prisoners, including the torture of women and innocent persons, elevating it into a style of government, were trained and encouraged by CIA specialists." For twenty-seven years, a U.S. military academy, the School of the Americas, has been training over 30,000 Latin-American soldiers including such courses as "interrogation techniques" and "urban and rural counter-insurgency concepts." These U.S.-trained and equipped Latin American armies have been engaged "in a virtually ceaseless war of repression against their own peoples." (*Manchester Guardian Weekly*, April 17, 1977) A

An East German border guard stands on duty at a hole in the Berlin Wall . (UPI) 4/16/62



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few years ago it was only radicals who were pointing to American complicity in such political crimes. Now it is common knowledge.

## SOCIALISM AND RADICALISM

The socialist movement has prospered mainly on the basis of its self-proclaimed radicalism. It has held its vision of a peaceful and prosperous society before the people. Marx advocated revolution to bring down the exploiting ruling class. Lenin proclaimed firm opposition to imperialism everywhere and urged the abolition of the bourgeois state and its replacement by something he believed to be entirely different, the workers' state. The socialists have appealed to the oppressed all over the world, particularly in the Third World, and have often correctly identified their oppression as a manifestation of the American imperial State. To the extent that radical socialists have brought to the world's attention this wholesale slaughter and imprisonment of innocent human beings and exposed the machinations of the CIA in this regard, to *that* extent all civilized human beings owe a deep debt of gratitude to radical socialism.

However, in addition to being in extreme opposition to the bourgeois state, radical socialists have always *claimed* to be offering a completely new and better economic system. As an alternative to the "anarchy" of capitalist production with its allegedly inherent business cycles, radical socialists have argued that the production of society be "rationally" coordinated from a Central Planning board. As an alternative to production for "selfish" profits, radical socialists have proposed production for "social" purposes, as "democratically" determined by the proletariat. As an alternative to the "cut-throat competition" of accumulating capitalists, radical socialists have promised a social system of uncompetitive worker solidarity. As an alternative to the free market where rent, interest, and profit are "appropriated" by the capitalists a new economic scheme is proposed whereby workers receive this "surplus value" in the form of higher wages and more "social services" from the workers' state. And, ultimately, radical socialists have claimed, their society will achieve "full communism" accompanied by the "withering away" of the workers' state.

"In communist society," Lenin wrote, "... people will gradually *become accustomed* to observing the elementary rules of social intercourse ... without force, without coercion, without subordination, *without the special apparatus* for coercion called the state." (*The State and Revolution*)

This is the abolition of statism *in the abstract*: the end of the "need for violence against people in general, for the *subordination* of one man to another, and of one section of the population to another."

The last phrase was written by Lenin just a few months before he actually attained power in Russia and set about to achieve his dream. The fact that neither Lenin nor any other socialist leader who has ever gotten to power has achieved *any* of the fundamental proposals of the preceding paragraphs is not to be attributed to their hypocrisy, but rather to the incompatibility of their goals.

To advocate the abolition of private ownership of the means of production is to advocate the institution of "public" ownership of the means of production, that is, to leave more choices concerning the use of resources in the hands of the State and less in the hands of those individuals who actually employ the resources. With the central planners as the sole owners of the means of production there can be no cost-cutting competition, no market, no accurate prices to reflect the actual relative scarcities of goods, and thus there is extremely inefficient production. Radical socialists have neglected the problems of socialist control of production. Marx had very little at all to say about socialist economics while Lenin supposed that all the bureaucratic functions would be so easy that workers themselves could perform them in their spare time. By this simplification he failed to clearly anticipate the rise of the bureaucratic class in Russia, and due to his unflagging faith in the proletariat class he refused to see that a workers' state can be as oppressive as a bourgeois one.

## CENTRAL PLANNING

Centralized planning means imposing the decisions of the central planning *committee* upon the choices of everyone else in the society. This imposition cannot occur without coercion: either the planners must offer incentives to the citizens to act according to the plan, in which case the money to bribe them must come out of general tax revenues (which are coercively collected), or the planners must directly force actions to conform to the plan. In either case planning requires what Lenin called "the subordination of one man to another." In both cases, the people who are in the best position to make intelligent choices are being told by others, necessarily less informed of the particular details, what to do.

It should not be surprising that the extent of a society's economic advance has been roughly inversely proportional to the extent of this usurpation of decisions by bureaucrats.

While still members of the opposition, socialists are commendable in their radicalism, but when in power their performance as statists is as oppressive as that of any fascist. The Soviet Gulag has become the very symbol of the police state in the modern world. The Khmer Rouge has turned Cambodia into "a huge laboratory for a revolutionary experiment unprecedented for its excesses." (*Le Monde*, April 17, 1977) When it grasps the reins of power, the radical socialist revolution becomes transformed into a grotesque struggle for the control of the State. It is no longer a question of ending oppression but rather of who does it, the bourgeoisie or the proletariat.



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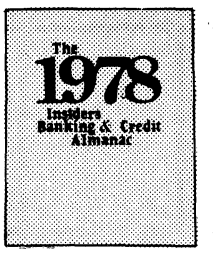


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The author, Mark Skousen, is an insider himself, having worked for the CIA for two years. Presently, he is managing editor of the widely-read *Inflation Survival Letter* and author of the new book, *Playing the Price Controls Game.* He recently received his Ph.D. in banking and monetary economics from George Washington University. Dr. Skousen continually keeps abreast of the banking community and consults often with bankers and financial advisers.

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But since the rhetorical appeal of socialism has always been radical, since the propaganda has emphasized the vision of a peaceful and harmonious society, the socialist movement consists largely of well-meaning, humane people who simply cannot stomach the oppressive excesses of totalitarian communism. Faced with an ideology turned sour, socialists have been retreating in droves to practical compromises, to new "third" solutions, to what amounts to reformist welfare liberalism.

## THE RETREAT FROM PLANNING

The idea of total centralization of all economic decision making has been abandoned by most socialists today. It was discarded in practice by Lenin himself after the dismal failure of War Communism.

"We reckoned," he confessed,"—or perhaps it would be truer to say that we presumed without reckoning adequately—on being able to organize the state production and the state distribution of products on Communist lines in a small-peasant country directly by an order of the proletarian state. Experience has proved that we were wrong." (Lenin, "Fourth Anniversary of October Revolution," *Selected Works II*)

Central planning has been rejected in theory by the retreat of socialists (from the arguments of Ludwig von Mises and F. A. Hayek on economic calculation) to "market socialism," a phrase which alone would have driven Marx or Lenin into a rage. Far from being a radically different kind of economy from state capitalism, as has been and still is the rhetorical appeal of socialism, modern "socialist" economies are merely a heavily bureaucratized version of the same old thing: statism imposed over and interfering with the market. Directors of Soviet enterprises are paid far better than regular workers, profit incentives in one form or another are common in "socialist" economies, the central plan is not (and could not possibly be) the expression of the workers' desires, interest is paid on loans, rent is paid for the use of capital goods. "The USSR operates banks in Western Europe, the Mideast, and Asia ... It owns and manages more than a score of companies in the capitalist world to peddle raw materials, or to sell and service its manufactured products." (*New York Post*, February 1, 1977) Socialists have been drifting from a radical but impossible utopianism to a washed-out, bureaucratic, welfare-state reformism. In short, socialism is selling out.

The program of the French Communist Party "excludes as objectives the nationalization of all individual and commercial enterprises, and the expropriation and collectivization of family farms ... This would be to sacrifice a portion of the economic potential to the caricature of a dogma. More generally, the Party believes that is is not good for the State to retain all power and play the role either of guardian angel or of policeman." (*Foreign Affairs*, January 1977) But while the French left has retreated to advocating *some* nationalization, even this is, in Flora Lewis' words, "an approach that most other European Socialists now consider outdated, believing that government's power to guide and control industry is much more important than the old shibboleth of 'national ownership of the means of production.' "

Note that this "caricature of a dogma," this "outdated shibboleth" is the *very characteristic* of socialist economics which used to be considered, by socialists as well as by capitalists, the *distinguishing characteristic* of socialism! Flora Lewis comments on the recent International: "Property is no longer their bugaboo ... Profits are no longer a dirty word ... 'International solidarity' no longer means attacking the United States and supporting the most radical Third World demands of the 'neo-imperialists,' " and in fact, many of the socialist leaders themselves "run industrial states usually lumped among the 'neo-imperialists.' "

Flora Lewis observes that the "traditional rhetoric" of socialists is still employed in the published propaganda but "they do not carry this kind of language into their working summits." Times have changed from the days of the First Socialist Internationals when the radical ideology was considered a principled guide to policy. Now we are treated to such obfuscations as Egon Bahr's (head of West Germany's Socialist Party) rhetorical question: "Besides, who can really define Socialism, any more than you can really define Communism or Capitalism?"

The element of truth in Bahr's question is that in the 1970s there *is* very little difference in the economic forms of so-called capitalist, socialist and communist countries. They are all forms of bureaucratic state-capitalism: some are merely more bureaucratic than others.

## SOCIALISM AS CONSERVATIVE

This hardly comprises radical opposition. Peter Clecak in his new book *Crooked Paths* advocates a *more* conservative socialism and, as reviewer Todd Gitlin noted, "Clecak sees that patient, modest socialism, shorn of its Communist hope and alibi, tends to blur into liberalism." (*The Nation*, March 12, 1977) John Lawrence of the *Los Angeles Times* points out the extent to which the left has become more moderate in Europe, under the "pressure to restrain the growth of the costly social benefit systems." (*New York Post*, March 24, 1977) Socialism is being swallowed up by establishment liberalism, and it is being driven there by the failure of virtually every attempt to establish socialism as a distinct social system.

Hero after socialist hero has gone the route from courageous revolutionary to repressive ruler of a crippled economy: Lenin, Fidel, Mao, Tito. Allende's bold experiment in Chile, attempting to manipulate prices by law, resulted in over 500 percent inflation in 1973, destroyed real earnings


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at a frightening pace, and created the chronic shortages that are so characteristic of socialist economies. The ones which are the least embarassing economic failures, such as Yugoslavia, are the ones which have abandoned most of the theoretical baggage of socialism. The most productive sectors of socialist countries are notoriously the least socialized. Private farming in the Soviet Union has always shamed the collectives.

Twenty-seven percent of the total value of Soviet farm output comes from private plots that occupy less than one percent of the nation's agricultural lands. (A. Yemelyanov, *Problems of Economics*, March, 1975) Black-market products abound to alleviate the endemic shortages of official production. Enterprises flourish by pirating labor and materials from other enterprises for money. Socialist countries subsist to the degree that socialist policy is avoided, compromised, ignored or revised. Socialism itself doesn't work.

But if most socialists are now state-capitalist and reformist, then the radical socialist rhetoric is, well, just rhetoric. Gone is the dramatic appeal for radical change. Gone is the principled opposition to imperialism and its attendant oppression in the Third World. In many countries already, the socialists are only distinguishable from the corporate liberals by the fact that the former want more power for the union wing of the bureaucracy and the latter want more power for the big-business contingent.

The moderate Italian Communist Party is being supported by some business interests who believe it is the only party that can control the unions. It is all just a matter of petty power-grabbing. Socialists are quarreling over who gets to touch which end of the cattle prod, but they have stopped working for a world where no man is treated like another's cattle. They have lost their radicalism.

Marxist-Leninists have made a point of distinguishing themselves from these "reformists" whose mission it has been just to modify the State within a system of state capitalism. Marx condemned those revolutions which "perfected this machine instead of smashing it" and which "regarded the possession of this huge state edifice as the principal spoils of the victor." (*The Eighteenth Brumaire of Louis Bonaparte*)

Yet while hurling such a radical and uncompromising barrage of deserved venom at the "bourgeois" State for its inhuman prisons, its wars, its parasitism, in short, for its *oppressiveness*, Marx turns around and advocates as "the first step in the revolution," avowedly to *stop* such oppression, that we "raise the proletariat to the position of the ruling class" and "centralize all instruments of production in the hands of the state i.e. of the proletariat organized as the rul-


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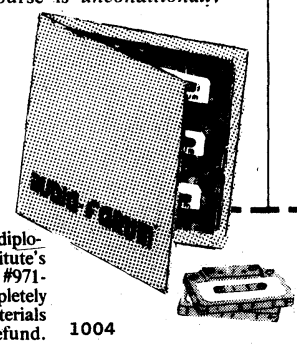


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ing class." (*Communist Manifesto*). Is this not the mere grabbing of the "huge state edifice" as spoils for the victorious working class revolutionaries?

Lenin illustrates in one sentence this combination of radical rhetoric with apologia for power-politics-as-usual, when he urges the revolution "to crush, smash to atoms, wipe off the face of the earth the bourgeois, even the republican-bourgeois, state machine, the standing army, the police and the bureaucracy and to substitute [sic] for them a *more* democratic state machine, but a state machine nevertheless ..." ("The State and Revolution" from Lenin: *Selected Works*) While they employ their most severe scorn against the reformists' mere modifications of the State, the Marxist-Leninists' own proposal is to *substitute* one ruling class for another.

The radical perspective can only be consistently maintained by those who refuse to take over the state apparatus of coercion. One cannot remain the steadfast enemy of the Gestapo if one intends simply to replace its personnel. Only the complete abolition of institutionalized crime is consistent with radicalism.

## *RADICAL LIBERTARIANISM*

Libertarians do not have nor do we require a recipe for how to run a government "our way." Instead we offer a coherent explanation of how people can live together without initiating coercion, without subordinating one man's will to another, without any government violation of rights whatever. Libertarians are the only revolutionaries whose victory will not merely replace the state institutions with another gang but will usher in an age of free men and women living their own lives as *they* choose. Libertarians will not join the statist quibbles over *how* to spend the taxes, over *who* to draft for *which* war.

People do not need to be ordered what *or how* to produce. In fact, they produce *more* of what they want when they are left on their own. Without the various interventionist policies of state capitalism the market would be still more productive, but in any case few are left who deny that markets out-perform complete central planning. There need be no central plan, but rather there can be the many plans of the market participants engaged in voluntary cooperation whenever, however, and with whomever they please.

If radicalism is opposition to oppression, libertarianism is principled radicalism. We who oppose the subordination of one man to another reject the pseudo radicalism of state socialists, for whom such subordination is a "necessary evil." The economic system we recommend is more radically different from modern state capitalism than is any existing socialist regime. We reject oppression *in principle*, whether by Commissar or elected President, whether by a state planning board or the Pentagon, whether by union officials or corporate lawyers. And we reject it now, not after some vague transition period to full communism.

Just as the ideological foundation of socialism, largely constructed a hundred years ago, shaped the radical movements of the subsequent years, so the radical movements of the future will reflect the ideological battle that is being fought today, a battle in which the state socialists are clearly retreating and the libertarians are as clearly gaining ground.

The development of libertarian ideas has proceeded considerably since the age of classical liberalism. Such twentieth century writers as Albert Jay Nock, John T. Flynn, Ayn Rand, Milton Friedman, F.A. Hayek and Ludwig von Mises have all, despite inconsistencies, contributed greatly to the refinement of the libertarian perspective. But libertarianism has seen its most comprehensive, and radical, development with the relatively recent Rothbardian integration of Austrian economics, natural rights ethics, individualist political philosophy and historical revisionism into a powerful, coherent ideological system of thought.

It was a costly diversion of radical ideology for it to conceptualize the enemy as the *bourgeois* state specifically, instead of *statism as such*, and to propose a transient *workers' state* or "dictatorship of the proletariat" which, it was naively hoped, would not draw power to itself at the expense of its people, would not entrench itself as deeply as the bourgeois class had at the helm of *its* state.

But the diversion has matured, has borne its various workers' states into the real world, and we have seen them in the flesh.

We are not pleased with what we see. The observer with a radical perspective cannot but recoil from the grotesque track record of socialist states so far, and this grim performance has started to take its toll in the ranks of the radical movement. The old paradigm is crumbling, the socialist revolution has failed, and the stage is set for a new radicalism which does not intend merely to replace one gang of rulers with another, but rather sees a realistic alternative to ruling *per se*. It is, after all, not the fact that it is the bourgeois class that oppresses us which impels us to be radical and resist them; it is the oppression *itself*, regardless of who does it, that offends us. It is *that* which must be "wiped off the face of the earth." It is "the subordination of one man to another," in short *slavery*, which we seek to "smash to atoms."

For as the great radical Lysander Spooner explained, "All restraints upon men's natural liberty, not necessary for the simple maintenance of justice, are of the nature of slavery, and differ from each other only in degree." (*No Treason*)

The revolution is dead. Long live the revolution!

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*Don Lavoie is a graduate student in economics at New York University. He was on the platform committee of the 1977 Libertarian Party Convention.*



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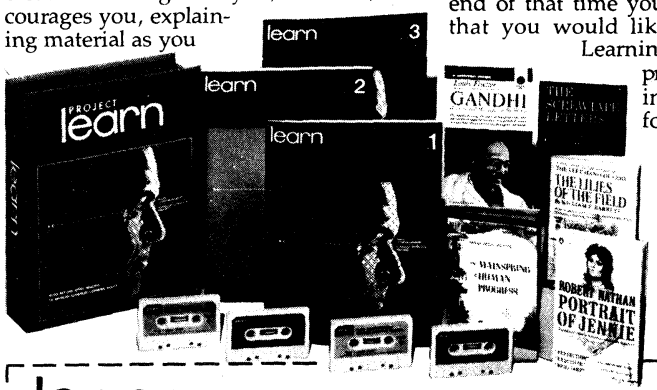


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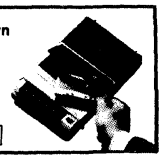

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# GREAT BRITAIN: THE RADICALISM THE CASE REQUIRES

***By Henry Ferns***

An article of faith entertained by the majority of British socialists for close on a century concerns the inevitability of socialism as a result of piecemeal reform in the direction of public ownership, management of the economy by the political authorities, the provision of services such as education by the State, and the inculcation of secular socialist moral values at once libertarian and rational. No British socialist has ever been expected to swallow the whole menu. No one was, or is, expected to adhere to a comprehensive system of discipline. Socialism will come, it has long been argued, gradually but inevitably without revolutionary violence in a very muddled British way.

We have now reached the critical point in the working out of this strategy. The economic foundations of personal freedom and personal responsibility have been so eroded in Britain that the transformation of a free enterprise economy into a socialist one cannot be far off. It is possible to argue that this has already happened and that the inertia of institutions and of the habits of mind of most people are the masks which conceal a reality only too apparent to the person seeking to provide for his or her future out of work, saving from income, investment and the acquisition of assets under his or her own control.

One of the greatest strengths of the socialist strategy of gradualism, and in this it differs markedly from the Leninist strategy, is its capacity to damp down the fears and confuse the minds of the protagonists of freedom by cultivating in them an acceptance of some of the myths of socialism. The strategy of gradualism has the further advantage of preserving illusions about the continuing power and authority of the "capitalist class".

This is the principal illusion of which the partisans of freedom must cleanse their minds. The friends of freedom and free enterprise have no significant power in modern Britain: not in the Government nor in the bureaucracy nor in the political parties nor in the media nor in the educational system. Of course opposition views can be expressed, but this freedom of expression has very little effect on the decisions of government or upon the course of development towards greater and greater control by the State of all activities of society and of all forms of creative work and the products thereof. *There no longer exists in British society an effective agency or force capable of defining and limiting the role of government in the community.*

The time has come for a great transformation in the thinking of all those who attach moral as well as economic importance to freedom of enterprise and the ownership of independent property. From the Civil War and the Revolution of 1688 until roughly 1960 it was possible to suppose that the British Government, Parliament and the Civil Service were well disposed towards a free economy based upon the equal right of all to make contracts and to buy and sell their labor power and their accumulated assets on terms which seemed best to themselves. It was possible, too, to suppose that contracts, such as wage contracts or contracts to repay debts, expressed in terms of money would be reasonably reliable because a pound sterling meant a unit of purchasing power having some sort of constancy of content.

Since these suppositions or assumptions were more or less borne out by experience, it was natural enough for free men and women, without regard for their political preferences, to be loyal to the Government of the day and to be, in the root sense of the word, conservative supporters of the political order. In the last fifteen years or so these assumptions have ceased to be true. Government has become an engine for transferring the products of work and organising effort, whether expressed as wages, salaries or profits, from the producers of goods and services to a public sector expanding more rapidly than any this side of the Iron Curtain. The owner of any asset, from a small Post Office savings account to a ducal mansion, can no longer look to the Government for security and protection. Indeed, everyone's assets are being reduced and wasted by taxation levied by statute and by the inflation of the currency which the Government promotes through its policies of public finance.

## *PRINCIPLES OF THE PAST*

From the Revolution of 1688 to World War II British Government financed themselves in accordance with well-understood and generally-accepted principles the adherence to which was one of the tests of political worth. The first principle consisted in the maintenance of a currency capable of serving the general socioeconomic purpose of



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being a means of exchange, a standard of value and a store of purchasing power.

The second principle was to keep the cost of government low in relation to the productivity of the community. Most criticisms of government activities which did not concern foreign affairs, trade policy, social questions and Ireland were directed at evidence of financial maladministration, extravagance (usually royal), and pensions and jobs for the friends of the Government.

The third principle concerned the method of paying for extraordinary expenses incurred in correcting imbalances of power among Britain's European neighbors which were considered to endanger British national independence. Making war and subsidizing allies were financed by borrowing from the people on the clear understanding that repayment would be made in times of peace in sterling having a purchasing power more or less equal to that in which the loans were made. Thus a costly political emergency such as war tended to absorb purchasing power surplus to basic needs, and peace and political equilibrium tended to restore this surplus to the community.

Since World War II, and particularly during the past fifteen years, when we have never had it so good, these traditional principles of British public finance have been totally abandoned. The National Debt grows as if a political emergency were a perpetual condition. At the same time taxation has been vastly increased in two forms: as taxation defined and authorized by Parliament, and as inflation unauthorized by anyone. The net effect has been to reduce the spendable assets of individuals and corporations, to unsettle all expectations for the future, and to make private saving itself a form of taxation, the measure of which can be roughly calculated by deducting the rate of interest or dividends from the current rate of inflation.

More important than the economic effects of contemporary British public finance are its political consequences. Its operation is relentlessly destroying the habit of private saving and investment. Sane persons with a rational regard for their own interests can no longer save out of income in the expectation of ensuring independence for themselves at some point in their lives. This being so, it is little wonder that the Civil Service have conferred upon themselves and other public employees the privilege of indexed pensions. They at least are secure even if no one else is. It is one of the extraordinary examples of the failure of our democratic political process that this massive injustice has been perpetrated unremarked and unopposed.

The destruction of the habit of saving and investment is the means of creating a horde of zombies who must depend upon the State because they can no longer depend upon themselves and plan their own lives. The effects of impairing confidence in the process of saving and investment are beginning to manifest themselves in curious and various ways. The will o' the wisp of indexed pensions has begun to influence the thinking of some of the executives of large and seemingly stable business enterprises. Not a few of them are privately hoping and working for nationalization because they believe that this will open up the possibility of indexed pensions for them.

## *UGLY POPULISM*

And it is not just the business elite who are being affected. Why has the co-operative movement, that great mechanism of saving and investment invented by the British working class for the working class, fallen on evil days? Among the reasons are the erosion of the habits of prudent personal management by socialist propaganda, the practice of welfare handouts and the development of an irresponsible consumer culture in response to policies of "easy money".

The unsettlement of British values, habits and expectations by inflation, taxation and promises of State aid is causing more and more people to distrust the traditional political process. The creation of a thoroughgoing and irremovable socialist economy is a bad enough prospect. Even worse is the emergence of an ugly populism of the kind towards which the various "leaders" of the National Front are groping. This, too, can happen unless responsible men and women get off their backsides and take a serious interest in something more important than party politics.

The determination of the left to maintain high levels of public spending is allegedly connected with their concern with employment. Not so. The left's prime concern is the destruction of the free enterprise economy by the emasculation and sterilization of all those who seek to stand on their own two feet by saving, investing and disposing of their assets in their own way at a time of their own choosing. Saving and investment will be significantly reduced as a means of personal security and independence for workers, managers and wealth creators generally.

## *A NEW RADICALISM*

In the presence of the last stage of the socialist strategy of gradualism, the partisans of freedom and free enterprise have the immensely difficult task of reorienting their minds and emotions. Their political stance must change lest they perish. *They must move from a conservative position supportive of government to a radical position of opposition to government.* Whether Conservative, Labour, Liberal or favorable to coalition, they must jettison the caution, loyalty, opportunism and pragmatism which have developed over the centuries as liberty has broadened down from precedent to precedent. The plain fact is that liberty is no longer broadening down, and all the signs point toward 1984.

It is of some assistance in making the required change of thought and emotion to contemplate the history of England.


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From the thirteenth century to the nineteenth the history of personal liberty and free enterprise was intimately connected with questions of taxation. Englishmen have always tended to favor an economic interpretation of society and have generally eschewed the high-flown idealism and abstraction which so often masks a will to power on the part of people unwilling or unable to work, produce and pay their own way. The British have at critical points in their history looked to their property, looked to their pockets, and acted in accordance with their interest. This is a good, healthy instinct, and now is the time to exercise it once more.

The socialist ideologues have established in our society a description of sociopolitical reality which is widely accepted in all parties and all social groupings. This description sets forth the political drama in which we are all invited to participate. There are the good guys and the bad guys. The good guys are the victims of capitalist rapacity and greed, and the bad guys are the capitalist exploiters whose faces are unacceptable in any political party with pretensions to respectability and hopes of victory. Wages are good and ought to be larger. Profits are bad and ought to be smaller. The outcome of the drama is scripted as social justice. Social justice is the business of politicians and civil servants who are neither victims nor oppressors, but supergood guys, and agents of historical necessity.

This description of sociopolitical reality, which engages the energies of thousands of intellectuals in its production and propagation (mostly at public expense) is quite arbitrary and largely untrue. Nonetheless it fixes the terms in which public events and problems are discussed and solutions attempted.

Let us consider, for example, how economists, very few of whom are Marxists or socialists, discuss contemporary problems. No matter what school of thought they belong to, in their contemplation of large economic problems they all devote their attention to workers and employers, wages and profits. Wage demands create inflation; or, maybe an excess money supply creates wage demands. Or, maybe profits are too large; or not large enough. No matter what they say, the economists sound like slavemasters talking about the management of their slaves.

*What is seldom discussed is the role of the State, the cost of its operation, and to what extent its end products are worth anything at all.* That this ought to be discussed is a message from outside to which the Government is reluctant to listen and which might be total gibberish as far as the British public is concerned.

But this is the central question. Wages, salaries and profits are all equally the income of producers without which the productive system cannot function. Taxes, on the other hand, and the activities they support are a subtraction from production. It is equally the interest of wage earners and profit earners to cut taxation, to reduce public expenditure and to ensure that public services are self-liquidating in the way that any ordinary productive enterprise is and must necessarily be.

## *TIME TO SET LIMITS*

A direct approach to the problem of taxation is an urgent requirement. Bitter experience suggests the uselessness of supposing that any political party will significantly reduce taxation, or that Parliament as a whole will, or that the bureaucracy will take any meaningful initiative in the matter. Government, Parliament and the Civil Service are all part of the problem. They live off taxation. Prestige, promotion and income in each of these branches of political and administrative activity depend upon expansion, and hence upon increases in taxation. It is a matter worthy of note that the demand for cutting public expenditure is either nonexistent or very muted among politicians, civil servants and office-holders, and that the issue has been introduced into British politics from outside by foreign bankers, business men and even Herr Schmidt, a German socialist. Britain itself lacks any articulate, well-organized opposition to taxation. This is thoroughly unhealthy, and a major factor in the development of inflation.

It is now an urgent necessity to create a strong, disciplined and determined movement directed to setting limits to public expenditure and to the reduction of the National Debt by the simple expedient of refusing to pay taxes. The Government is more vulnerable in the matter of taxation than it was when the trade unions challenged it and won over the Industrial Relations Act.

Cooperation has been forthcoming in the past because there has been built up a sense of civic duty based on a belief in reasonable government making reasonable demands. The demands are no longer reasonable. The point has been reached where the products of the citizens' work, skill and organizing capacity are being taken from them to finance a tyranny over them. We have had enough.

The time has come in Britain to do what our American cousins did two hundred years ago: we must throw the tea into the harbor and let the Government see whether it can beat us into submission. We must stand up to be counted. We are not few. We are millions.

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*Henry S. Ferns is Head of the Department of Political Science at Birmingham University, and the author of many books and articles. He is currently working on a major study to be titled* The Road Back from Serfdom. *This article was originally published in Britain by Aims for Freedom and Enterprise, an organization founded to promote a free market economy and to defend freedom and enterprise in Great Britain. We are thankful to the organization for the right to reprint—for the first time in America—this essay, which we regard as an example of the growing radicalism which can alone address the problems which Britain today confronts.*



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# THE 1977 LIBERTARIAN PARTY NATIONAL CONVENTION

*By Tom Palmer and Tom Avery*

More than 1200 people attended the largest libertarian political gathering of modern times: the Sixth Annual National Convention of the Libertarian Party at the Sheraton Palace Hotel in San Francisco. From Tuesday, July 12, to Sunday, July 17, delegates and alternates from more than thirty states met to exchange ideas, enjoy the give-and-take of political discussion, socialize, and conduct the party's business: by-laws were modified, the platform was revised, and new national officers were elected to carry further the party's progress and growth. There were debates over issues of vital importance to libertarians, addresses to the convention by experts and libertarian notables, spirited discussions on the floor of the convention over which programs the party ought to advance, and a lively concern on everyone's part with the advancement of liberty. There were lectures and seminars on everything from campaign management to community organizing, from the energy crisis to the use of the media, and there were meetings of most libertarian activist groups, including the Young Libertarian Alliance and the Association of Libertarian Feminists. Everywhere were signs of activity and growth, symbolized by the attendance itself: 100 people attended the first LP National Convention in Denver, in 1972; 200 showed up in Cleveland in 1973, followed by 300 in Dallas in 1974, 500 in New York in 1975, and 600 in Washington, D.C. in 1976. The attendance of over 1200 at the San Francisco convention was a great leap forward, and the trend promises to continue into the future.

## THE WORK BEGINS

On Tuesday and Wednesday the Credentials Committee and the Constitution and By-Laws Committee hammered out their reports to the delegates while the members of the Platform Committee spent Tuesday, Wednesday and Thursday revising and improving the LP platform (*LR* will consider the platform in depth in a subsequent article).

But for most of those attending, the convention opened shortly after 9:00 a.m. on Thursday with a talk by Timothy Leary on "Terrestrial and Post-Terrestrial Freedom," which proved to be highly controversial and quickly brought the attention of the San Francisco press to the convention, which attention was sustained until the convention's close several days later. The former Harvard psychology professor discussed the past and future of human freedom, commenting on future space colonization, his newest field of interest.

The convention's keynote address was by Murray Rothbard: "Turning Point 1777/1977." Drawing on the parallels between the American revolution and our own time, Rothbard drew an important lesson: "The American Revolutionaries, our libertarian forefathers, were not only interested in setting forth a glorious set of principles," he told the audience, "they were also interested in *action*, in putting



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these principles into practice in the real world." To be successful, Rothbard stressed, we need not only undergo what he called the "baptism of intellect," but the "baptism of will" as well. The leaders in the colonies adopted a policy of appealing to the mass of the colonists in their bid to arouse public opinion against the British; "we libertarians," he stressed, "are not the spokesmen for any ethnic or economic class; we are the spokesmen for all classes, for all of the public; we strive to see all of these groups united, hand-in-hand, in opposition to the plundering and privileged minority that constitutes the rulers of the State." The stirring call to arms, drawing on the memories and words of George Mason, Charles Lee and Thomas Paine, brought forth a standing ovation.

As if to stress the relevance of what Rothbard had said to our own time, the keynote address was followed immediately by two talks given concurrently in different rooms: Tony Sullivan, an gay Australian businessman, who told of his harassment by the Immigration and Naturalization Service of the U.S. because of his sexual orientation, and Julia Boski,a Soviet emigre, who spoke about repression of liberties in the Soviet Union and her experience in the Russian underground. Seminars on tax resistance, community organizing and other topics of interest to libertarians peppered the afternoon while the first general convention session was held. There were seminars on the laetrile movement, life extension, and a debate on the single land tax proposal between Richard Ebeling, an NYU Ph.D. student in economics and *LR* contributor, and Terry Newland, a representative of the San Francisco Henry George School. (Henry George was a radical laissez-faire economist and advocate of free trade in the 19th century who was very much a libertarian—except for his advocacy of the "single tax" on land.)

But the two most important seminars Thursday were perhaps those to packed rooms of the young economist David Henderson and of frequent *LR* contributor Jeff Riggenbach. Dr. Henderson assailed Carter's energy program, pointing out the myriad of ways in which the government has manipulated the economy to produce the very "energy crisis" which it now decries. Henderson pointed to the free market as the only way of solving problems. Riggenbach gave a long and interesting talk on why libertarians don't make better use of the media, and concluded that it was because they didn't understand either the media's interests or its functioning. The bulk of his talk will appear in a future issue of *LR*.

**More than 1200 people attended the largest libertarian political gathering of modern times**

The varied and exciting sessions on Thursday came to a close as many libertarians scattered through San Francisco, to enjoy their host city, while the rest unwound on a specially chartered boat which sailed on a dinner cruise around San Francisco Bay, a cruise that ended in a gigantic party with hundreds of libertarians enjoying themselves with song and convention.

### *FRIDAY*

The first of three convention breakfast talks was given on Friday morning by foreign policy expert and advocate of

Photo by Berl Kaufman


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reduced military commitments, Dr. Earl C. Ravenal. A former Defense Department analyst, Dr. Ravenal is currently professor of American Foreign Policy at the Johns Hopkins School of Advanced International Studies, a fellow of the Institute for Policy Studies, and a recently-elected member of the Board of Directors of the CATO Institute. An advocate of a non-interventionist foreign policy, Ravenal spoke on "Carter's Foreign Policy," and examined certain aspects of the relationship between foreign policy and domestic policy, particularly the relationship between liberty and "national security." Ravenal showed that there was a certain *logic* to the repressiveness and deception of the Nixon administration, and that extended foreign policy goals and commitments were incompatible with an "open presidency." Ambitious foreign policy objectives, he claimed, in a complex world with goals crosscut by constraints, made covert operations—and all the attendant deception and secrecy—a necessary fact of political life. The only way to combat such repressiveness, was to reduce foreign policy commitments to the basic minimum. Carter's foreign policy, he predicted, would not in the end be much different than that of Nixon, for Carter is trying to achieve the same ambitious foreign policy *objectives* without adopting the necessarily Nixonian *methods*. A lively question and answer period followed, with many libertarians pressing Dr. Ravenal further on his innovative approach to foreign policy questions. Libertarians are sure to hear more of him in the future.

The general session reconvened soon after the breakfast talk, and seminars continued throughout the day as libertarian thinkers and activists exchanged views on such topics as abortion and military justice. One of the highlights of the afternoon was a talk by Prof. John Hospers, professor of Philosophy at USC, 1976 LP candidate for President, and author of the highly acclaimed work *Libertarianism*. Prof. Hospers gave a moving analysis of "Libertarianism and the Arts," stressing the power of art to communicate moral and political situations and ideals. Hospers read a few stirring passages from the novels of Alexander Solzhenitsyn to drive home his point. The audience gave Dr. Hospers a warm standing ovation. Hospers' talk was followed by panels and sessions devoted to involuntary psychiatric treatment, gay liberation, avoidance of government, and the perils of inflation.

Early Friday evening there was a cocktail party for the Libertarian Party's 1972 and 1976 presidential and vice-presidential candidates emceed by LP founder David Nolan. John Hospers and Tonie Nathan (1972 candidates) and Roger MacBride and David Bergland (1976 standard bearers) all spoke to an informal gathering of libertarians in the garden court of the San Francisco hotel. Luminaries such as Murray Rothbard, Nathaniel Branden, former Senator Eugene McCarthy, former Congressman Ron Paul of Texas, and Dick Randolph, the former Republican who helped Roger MacBride and the LP to gather over six percent of the vote for President in Alaska, mingled with the assembled libertarians.

Later in the evening, Nathaniel Branden spoke to a massive number of libertarians gathered to hear him discuss his personal odyssey "From Objectivism to the Forty-Hour Intensive." Branden discussed his relationship with Objectivism and Ayn Rand, and told how he had come to his present views and concerns. His Forty-Hour Intensive has ignited the interest of people all over the country, libertarians and non-libertarians alike. Dr. Branden received a warm and

**LIBERTARIAN PARTY NATIONAL CONVENTION**
**SAN FRANCISCO / JULY 14-17, 1977**
***A Resolution***

WHEREAS the Libertarian Party condemns the use of government power to promote racial, religious and other forms of discrimination, including those directed against homosexuals and women, and

WHEREAS the Libertarian Party deplores the calculated incitement to hatred against homosexuals which is likely to lead to the use of government power and private violence against them, and

WHEREAS the Libertarian Party recognizes the rights of anti-gays, as well as gays, to pursue their own peaceful life-styles,

BE IT THEREFORE RESOLVED that the Libertarian Party condemns the efforts of Ms. Anita Bryant and her associates and followers to create a climate of hatred against homosexuals, to continue the present systematic state oppression of gays, and to extend it, for instance by banning homosexual men and women from teaching in the public schools. While we did not, and do not now, support the principle of the Dade County anti-discrimination ordinance—clearly a violation of property rights and freedom of association—we unequivocally denounce the whipping up of anti-homosexual hysteria which is likely to lead to the infringement of the individual rights of homosexuals. We demand that homosexuals be accorded those rights in full and immediately.

—Adopted by the Libertarian Party National Convention, San Francisco, July 17, 1977, on the motion of David Bergland (Calif.), and seconded by Dr. Murray N. Rothbard (Calif.), and by Roger MacBride (Va.), Tonie Nathan (Ore.), and Dr. John Hospers (Calif.).


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enthusiastic reception, and fielded questions long into the night.

The evening ended with a film on taxpayer organizing, and with countless parties.

## *TO THE BANQUET*

The Saturday breakfast talk was given by former State Department staff assistant John Marks. Marks was co-author of *The CIA and the Cult of Intelligence*, the only book ever legally censored by the U.S. government in advance of publication. He addressed himself to the foreign policy implications of CIA covert operations and to President Carter's attitude toward the CIA. (During the convention both John Marks and Earl Ravenal held press conferences which were well attended by reporters.)

Several seminars and panel discussions were held on Saturday afternoon, including a seminar on gay rights and a panel discussion on "Women Versus the State: Alternatives to Paternalism," sponsored by the Association of Libertarian Feminists. While delegates at the general session were debating the merits of various proposed platform amendments, other partisans were attending seminars on election law reform, fund raising and several other issues. In the late afternoon there was a debate on capital punishment.

But the major event of Saturday evening was a banquet featuring speeches by the two most successful "third party" candidates for President in 1976: Eugene McCarthy and Roger MacBride. McCarthy praised libertarians for their opposition to government oppressiveness, and lashed out at the Federal Election Campaign Act. Noting that this piece of "campaign reform" legislation places a straitjacket on independent parties and candidates, McCarthy had his audience of nearly a thousand listeners trying to imagine a Declaration of Independence that read "...we pledge our lives, our sacred honor and up to $1000."

Roger MacBride followed with a broadside at the "suppression of political ideas in America," by both the government and the national media. The 1976 LP standard bearer noted that the major parties had loaded the election law to shoot down the independent candidates. MacBride also accused the national news media of being interested solely in personalities rather than ideas. Nonetheless, he pointed out, libertarians have begun to break through to the American people with their ideas and programs, and he pledged to do everything he could to help facilitate that.

### LIBERTARIAN PARTY NATIONAL EXECUTIVE COMMITTEE

| | |
|---|---|
| National Chair | David Bergland (Calif.) |
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| Past National Chair | Ed Crane (Calif.) |

Other members (listed alphabetically) include: Jim Blanchard (La.), Roy Childs (N.Y.), Ed Clark (Calif.), Carol Cunningham (Calif.), Nathan Curland (Mass.), Porter Davis (Okla.), Bill Evers (Calif.), Mike Fieschko (N.J.), Eric Garris (Calif.), Bill Howell (Texas), Charles Koch (Kans.), Bernie Losching (Wis.), Steve Mariotti (Mich.), John Mason (Colo.), Tonie Nathan (Ore.), Ben Olson (Ind.), Dick Randolph (Alaska), Murray Rothbard (Calif.), Bill Webster (Calif.), Rick White (Nev.).

## *THE CONVENTION DRAWS TO A CLOSE*

The last of the three breakfast talks was given on Sunday morning by Dr. Ron Paul, former U.S. Congressman from Texas. Dr. Paul spoke on the dilemmas facing libertarian candidates and elected officials working within the system to effect political change.

Back at the general session, delegates were busy electing officers and members of the National Executive Committee. Before the convention adjourned, the delegates adopted a strongly worded resolution on the subject of gay rights—the only national political party to have taken so forthright a stand on behalf of individual rights.

If this year's convention is any indication, the Libertarian Party has matured greatly over the past few years, and shows signs of making rapid progress in the years to come. Most of those in attendance were serious activists who showed a high degree of sophistication in their approaches to advancing individual liberty. The level of sophistication on issues was greater than any other party on the scene today. A new dimension of earnest political savvy and dedication to reducing coercion in American political life has surfaced. Some of the projects the party has embarked on include serious races on the state and local level (e.g. the upcoming effort for the Governor's seat in Alaska), and publication of activism kits on key topics, such as energy, local problems, and foreign policy. Also in the works are more active Political Action Committees (PACs), such as the recently-formed Libertarian Health Association headed by Dr. Dallas Cooley.

The new Libertarian Party national chairman David Bergland summed it up when he said that "statism and government coercion have never before been challenged as they are being challenged now. We have the ideas, the resources, the talent, and the enthusiasm. The next few years will be looked back on by historians as a key period in the resurgence of individual liberty in our time."


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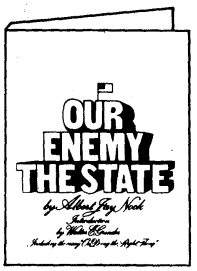
# Know Your Allies

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Nock argues that the main theme in American history has been the steady deterioration of freedom and social power, and a corresponding growth in the power of the state. *"Nowhere can the reader find a clearer or more forceful portrayal of the libertarian position."* —Murray N. Rothbard *$4.95*

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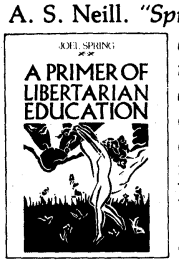


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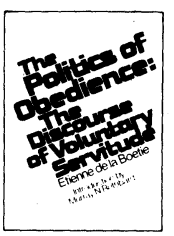
**THE POLITICS OF OBEDIENCE**
**by Etienne de la Boetie**

La Boetie's classic 16th-century argument that tyranny depends on the consent of the ruled has profoundly influenced the tradition of civil disobedience. *"Ought to be one of the central documents in the library of anyone concerned with human liberty."* —Stanley Milgram

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**THE STATE**
**by Franz Oppenheimer**

The state arises through conquest and plunder, says Oppenheimer, and survives through massive exploitation. Robert Nisbet said of THE STATE: *"A classic...I hope it will be read widely by the present generation of social scientists."*

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## CROSSCURRENTS

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cuss it here in detail. Libertarians can use the cases and insights in this work to show that, contrary to popular assumption, there is nothing whatever in the universally applied private property, free-market system that could possibly lead inevitably to filth, grime, pollution and a havoc-wreaked landscape. On the contrary, it is only under a libertarian free-market system that everyone's property (most importantly, each person's own body) would be properly protected from invasion of any sort.

As a postscript, I am certain it is not simply a coincidence that this shift in the common law took place during the same period as that in which the Lockean Natural Law defense of individual rights was being superseded by the utilitarian justification of rights. Benthamism was on the ascendancy both in law and economics, where it has remained to this day.

I am convinced that if human rights are ever to be taken seriously and protected as libertarians hope they will be, then rights will have to be understood as being an integrated part of the more general Natural Law. Rights must be seen as inhering in the individual as a self-owner. Libertarians should be in the forefront of the battle against both the utilitarian definition of rights as having been created by the positive law and the conservative assertion that the Law of Nature is in fact but the evolutionary result of tradition, custom and social need—*jus gentium*.

For what I believe to be one of the most consistent libertarian presentations of natural rights doctrine see Thomas Hodgskin's great classic work, *The Natural and Artificial Right of Property Contrasted* (London, 1832, reprinted by Augustus M. Kelley, P.O. Box 1308, 300 Fairfield Road, Fairfield, NJ 07006, $11.50.)

Armed with the historical insights of Horwitz and the philosophical position of Hodgskin, the libertarian intellectual-activist can be far more effective in defending the private property position, even in the tough areas of conservation and environment.



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# Books and the Arts

## THE STATE CONTROL OF THE AMERICAN ECONOMY
***By Walter E. Grinder***

*The Governmental Habit: Economic Controls from Colonial Times to the Present*
*By Jonathan R. T. Hughes*
*Basic Books, 1977*
*260 pp., $11.95*

*Toward a Planned Society: From Roosevelt to Nixon*
*By Otis L. Graham, Jr.*
*Oxford University Press, 1976*
*357 pp., $11.95*

The size and scope of government in America continues to grow at an alarming rate. As government at all levels takes a bigger bite out of the American citizen's economic output and as the economy becomes increasingly burdened with regulatory red tape, the remaining market mechanism in America, and in the Western world in general, deteriorates even further. A great deal recently has been made out of the almost universal suspicion, distrust and dislike of various sorts of governmental meddling, both in the economy and in the area of civil liberties. In spite of this, the growth has not stopped, nor does it look as if it will in the near future. Why the apparant paradox?

One school of thought, as typified in the recent and important work of Otis L. Graham (an advocate of planning), would have us believe that we are headed inexorably toward the "rationally" planned society. The confusions that we are encountering right now are but pitfalls along the way. The problem, according to Graham, is not that we have too much government, but that we have *inefficiently applied* government. Nothing really paradoxical, merely growing pains. Old wine in not-so-new bottles.

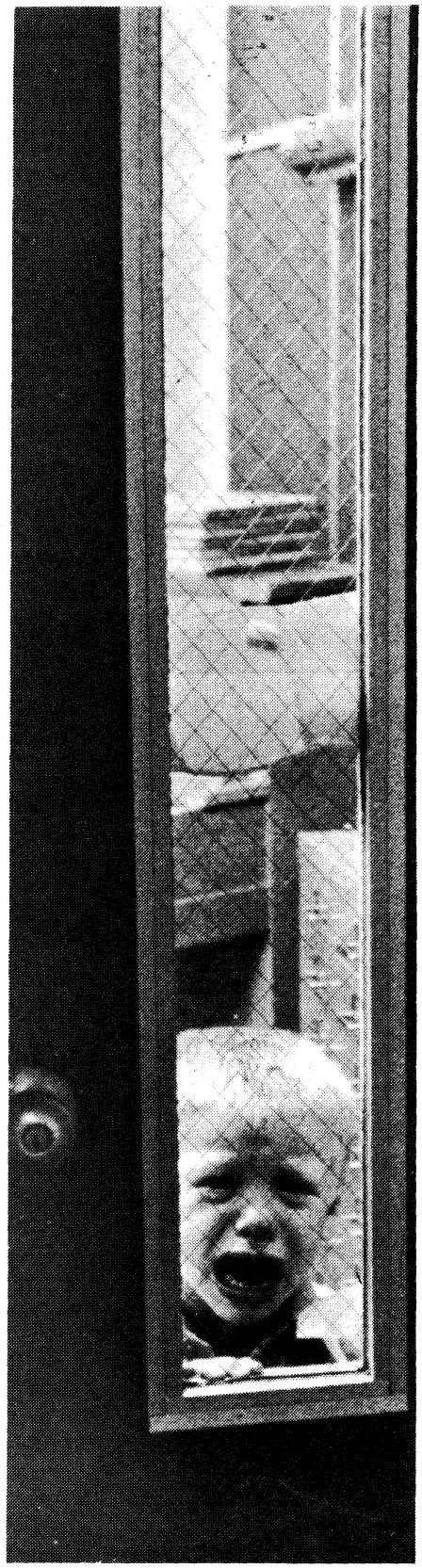
J.R.T. Hughes (an admirer of the free market) brings us a different view. Unlike Graham, Hughes shows us that as a people we are now, and have been throughout our history, "hooked" on government.

Although I don't agree totally with either of these books, there is so much good information and analysis in both of them that they form the complementary basis of a good understanding of just where America is in its history of government control of the economy and society.

If one were to adhere to the rhetoric, one would have to believe that government interference in the American economy was a recent phenomenon. I attend conference after conference (admittedly these are often non-academic) where I still hear that the problem began forty-five years ago. Although the Roosevelt years of experimentation accelerated the process, clearly interventionism did not begin with F.D.R.

A more sophisticated and sound analysis places the genesis of widespread federal intervention into economic affairs in the all-important historical watershed known as the Progressive Era. (I generally include the years 1887 to 1920. This is a wider span of years than is generally used, but it is useful to include both the Interstate Commerce Act and the War Industries Board during World War I to get the full flavor of this period.)

While Hughes agrees that the last quarter of the nineteenth century is



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perhaps the key watershed in American economic history, he suggest strongly that we look back even further if we are to understand the development of our economic, political and social history. Hughes' contention is that the government has always been deeply involved in the economy. Interventionism has been the rule, laissez faire, the exception—and laissez faire was never close to pure either.

He takes us back to the Colonial days and even beyond to show us that social control of business relationships lies deep within our common-law tradition.

Hughes' analysis of the nature of property in land is excellent. Behind all exchanges in ownership of land stood the ultimate owner, the king. All transfers were made at his pleasure. Hughes shows how the king became the State in common law and that the Colonies and then the United States accepted the common law, bag and baggage. In effect, there could not legally have been true laissez faire because the central government was the ultimate title holder to all resources. In practice, the title exchange process worked amazingly well, *but* the government always held the trump card. In more than one key case the government enforced its will with a vengeance.

Hughes also analyses the legal status of contract labor and traces it back to the 1562 Statute of Artificers and Apprentices. Although I think he somewhat stretches his case, he does show a continuity between 1562 Elizabethan labor policy and the Wagner Act of 1935. He then traces the equally long and interesting history of non-market social control of economic activity. American economic history is replete with various controls affecting "(1) the number of participants in a given activity (2) conditions of participation (3) prices charged by participants either for products or services, and (4) quality of the products or services."

I find few faults with Professor Hughes' historical facts, but his emphasis of certain facts and underemphasis of others leads to a distortion of analysis, especially of the broad sweep of nineteenth century American history.

While it is true that for far too long historians did not pay proper attention to numerous governmental interventions into the American economy during the nineteenth century, Hughes and the historians he depends on have swung the pendulum too far in the other direction. The myth of a purely laissez-faire nineteenth century American has happily been laid to rest, but unfortunately the New Historians would have us believe *not only* that there was far more governmental intervention than we knew of before, but that the intervention, rather than being a hindrance to economic growth and prosperity, was in fact a key *positive* factor in America's economic growth. Economist Hughes seems even to accept the New Historians' assumption that there was a "capital shortage" which was usefully filled by government. He goes on to detail the sizable interventions, especially in "internal improvements," throughout the nineteenth century. Even though he does not pay sufficient homage to the multifold dynamics of the free market during this period, his presentation is still very useful.

Hughes' thesis is that America's non-market controls were never meant to be planning mechanisms. They were *ad hoc* measures meant to deal with specific problems at specific times. As an economist, Hughes recognizes that these interventions have secondary consequences, the most important of which is to short-circuit the smooth flow of the market adjustment process. As an historian, Hughes knows that it is next to impossible to get rid of a control mechanism once it has been put in place. Consequently the "system" which has emerged is often a mishmash of dated and contradictory controls which ensure that buyers have a difficult time finding sellers, that productivity is far lower than it could have been, and that inflation has become a way of life.

Hughes seems to take the fact of contradictory controls and the inefficiency that grows out of them to mean that it is obvious that we need not look for "evil men and motivations."

Here is the rub. A good historian must deal with motivations, both good and evil. The idea that all the answers are in the data is alluring, but absolutely misleading. This is precisely where the New Historians go wrong, and this is why economists of the Chicago school find the New Historians methods so congenial. Look at the numbers, the New Historians say: Don't mix the data with intentions. Intentions will simply confuse the data. But history *is* the result of motivation and intention. Good history is *understanding* those motivations and intentions.

Hughes is the best economist/historian to come along in a long while, but even he really fails us badly when it comes to the great watershed of the Progressive Era. He does see the key importance of the Munn Decision, which he concludes ultimately led to the formation of the Interstate Commerce Commission and all the other various regulatory agencies to follow. However, he overplays his hand and ascribes causal connections with rather tenuous evidence.

The most important insight of Hughes on this period is that although government regulation was not new in America, *federal* regulation was. What had been in the local domain for several hundred years of common law tradition was, during the Progressive Era, pushed up to the national government. This process culminated with the addition of the Federal Reserve System, the Federal Trade Commission and the War Industries Board.

Hughes' problem is that he seems to feel that this process was just an accident of history: a result of *ad hoc* interference and not the result of anyone's design. He seems prepared to give as much weight to each causal force, as much—or even more—to the Grangers, the populists, and the farmers as to the leading industrialists and financiers. It is as though the great work of Gabriel Kolko, Jerry Israel, Robert Cuff, Melvin Urofsky, James Gilbert and Murray Rothbard had never been written. There is simply no hint that the leaders of business, industry and especially finance *consciously used the State* to achieve their ends of rationalization and stability.



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# LAISSEZ FAIRE BOOKS

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## BOOKS REVIEWED IN THIS ISSUE

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**ROOTS OF CAPITALISM by John Chamberlain, $3.00/$9.00**
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Where Hughes is at his absolute best is his grasp of the importance of militarism, war, and war preparations in the growth and consolidation of the Corporate State, or, as he calls it, the "Guaranteed Economy." War and war preparations centralized control over vast sectors of the economy in the hands of the government. Taxes and inflation transferred a large portion of the national product from the producers to the government. The regulatory control mechanism became deeply embedded in our socio-economic institutions.

As Graham points out, the War Industries Board of World War I became the on-the-job training ground for a whole generation of planners who got their next chance during Roosevelt's NRA and who in turn became the teachers of those who would take control of the economy during World War II.

The growth and continuity of government regulation from the Progressive Era to the present is amazing and horrifying to watch unfold. But I am sure that Hughes is absolutely correct in saying that it could not have happened without the help of the huge doses of militarism throughout the twentieth century. Hughes' chapter on "The Guaranteed Economy and Its Future" is alone worth the price of the book.

Graham complains that planning never received a proper chance in America and consequently has received a bad rap. The War Industries Board of World War I and the War Production Board (WPB) and Office of Price Administration (OPA) of World War II only formally lasted the few short years of the wars. The NRA was plagued by politics, the courts, and, more than anything, by insufficient executive authority and leadership.

After the formal breakup of the NRA, Graham shows that what developed was not planning, but rather a continuation of what he calls the "Broken State" and "Broken State" capitalism. This is not all that different from the Hughes analysis of piecemeal intervention on behalf of special interests on *ad hoc* issues. Both authors see land (resources) control as centrally important. Graham's description of the National Resources Planning Bureau is excellent and frightening. This may be one of the most important precedent-setting agencies America has ever seen.

They also agree that one of the most crucial control mechanisms is the budget. If strong control of the regulated economy is the aim, then strong *executive* control of the budget is imperative. Hughes traces the struggle over budget control from the Progressive Era. Graham's discussion of the key importance of the more recent Office of Management and Budget (OBM) is very instructive. All of this history is very important in order to understand the full implication of the current reorganization of the federal government by the Carter administration (see especially Graham's excellent analysis of the Nixon regime's reorganization attempts).

Where is it all leading? We are at a crossroads in American history. We cannot stay where we are. The system we have is an unstable nonsystem. It is as Hughes points out, "a heap." We really must make a choice: either the free market or central planning.

Graham is certain that we are destined for a planned society. He offers the same old story about the modern world being too complex for anything but planning. He never mentions, however, the vast difficulties which would face the planners who would deal with those problems. He seriously believes that the price system would continue to function (in fact, function better) within the planning framework. He does not see that the unfettered market mechanism is precisely what is needed to solve complex coordination problems. However, I feel certain that his views are currently much closer to those of the public at large than are those of us who do understand and appreciate the need for the market. In fact, for the short run, I suspect that history will tend to support Graham's position. More intervention will be forthcoming. Failures will continue, and there will be calls for even more authority, more regulation, more control.

In the longer run, though, I fully expect the free market to win the day. My assumption is, however, predicated on one big "if." *If* the libertarian movement continues to grow and prosper; *then* when the failures of government planning continue to abound, an understandable alternative will exist. Only then can a mass movement for freedom and free enterprise push the planners from their temple. This can be done in a decade, but in the meantime we all have a lot of work to do.

Hughes offers us a radical plank to put in our platform for liberty. We must change our system of land tenure. We must throw off our common-law heritage that claims the State is the ultimate owner and "donor" of all property. We must demand that all resources be free of any such superior claim.

In addition, we must teach over and over that singularly important economic lesson of the "invisible hand." It must become second nature to the thinking public that only the market can solve the coordinative problems of the modern industrial economy.

The banner of the private ownership of self and resources, and the free exchange process among free people, must be held high as a respectable and viable alternative, or we will surely be pulled for decades into Graham's planned society. We have to show that it is both desirable and possible to break the governmental habit.

The biggest obstacle to our breaking free is our failure to come fully to grips with the realization that war and militarism are now and always have been the key link in the statist chain. These two works demonstrate this lesson clearly. I recomment that both be read carefully and in tandem. I especially recommend the Hughes book for its many libertarian insights, perhaps the most important being the following:

> War and preparation for it, have been the most dramatic and steadily recurrent act of state for Americans in this century, and, like the citizens of the Roman Republic, it is hardly surprising that they have gradually become hardened to it .... The direct legacy of war—the dead, the debt, the inflation—these things are all obvious. What has not been so obvious has been the pervasive yet subtle change in our increasing acceptance of federal non-market control, and even our enthusiasm for it, as a result of the experience of war.



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# THE STATE CONTROL OF AMERICAN YOUTH

***By Joseph R. Peden***

*The Sorting Machine: National Educational Policy Since 1945*
*By Joel Spring*
*David McKay and Co., 1976*
*309 pp., $4.95*

In 1797, the American Philosophical Society offered a prize for the best essay describing a national system of education "best adopted to the genius of the United States." The prize was shared by two winners, one of whom, Samuel Harrison Smith, boldly argued that "society must establish the right to educate and acknowledge the duty of having to educate all children."

Smith's plan reflected an attitude that has continued to mark the professional educator down to our own time: that parents were the principal enemy in the struggle for mastery over the minds of children. "Error is never more dangerous than in the mouth of a parent," said Smith. The errors and vices that flowed from them were so momentously important that the education of the child could not safely be left to the "negligence of individuals," as he put it.

Who, then, should guide the education of youth? "The enlightened and virtuous part of Mankind." These were to be ensconced in a national board of education composed of fourteen members elected for life by the faculty of the national university. The board would create, and direct the administration of, primary and secondary schools throughout the nation. It would choose the teachers, the textbooks, and establish the curriculum. The purpose of such a State-dominated system was essentially that expressed by the signer of the Declaration of Independence and "father of American psychiatry," Benjamin Rush: to produce "republican machines" who were fit to perform their assigned part in "the great machine of the government of the State."

Despite the support of every President until Jackson, the Congress never established a national system of public schools. It was not until after the Second World War that the central bureaucracy in Washington attained the poer and financial support needed to create an effective national system of schooling.

Joel Spring's latest historical study, *The Sorting Machine*, details how that old dream of Smith, Rush and the other State paternalists of our early republic has been realized in our own time.

Libertarians will not be surprised to learn from Spring that the creation of our present national schooling system and bureaucracy was an integral part of post-1945 war planning. Wars, hot or cold, require manpower for combat and to maintain high levels of technological innovation and industrial production. The war machine cannot rely on the chance decisions of youth to guarantee its manpower needs, and so the youth are *mobilized* and their schooling *manipulated* to serve the needs of the war planners. Individual choice in kinds of schooling, types of skills or jobs desired, is incompatible with a we-planned military-industrial establishment.

The first step towards a national schooling system—the very epitome of the "sorting machine," as Spring calls it—was the Roosevelt-Truman plan for Universal Military Training, a scheme that periodically raises its ugly head under various guises to this day. (Governor Jerry Brown of California is one of the more recent enthusiasts of such "national service," the overt military purposes of the scheme muted into coerced social welfare service or job training.) After a bitter national debate, Congress rejected the Spartanization of the youth of America, forcing Truman wait u the fear and hysteria of the Cold War and Korea weakened the opposition. Then the Selective Service Act of 1951 re-established the manpower channeling machinery of the Second World War, and subjected every male between eighteen and thirty-five to registration and examination by a battery of tests to determine his intelligence, knowledge and aptitudes.

The results fixed his future; he would go to college, graduate school, or pursue a selection of skilled trades and occupations according to the national manpower needs of the moment. Or else he might be declared surplus material and drafted as cannon fodder.

For the next two decades or more, no young man could plan his education, his occupation, his marriage—his *life*—without taking into consideration how his choice might effect his status in the federal "sorting machine." Spring's presentation of the purpose of this system, the complex ways in which it might be manipulated by the State war planners, is splendidly done, and perhaps especially valuable for the younger reader who did not directly experience it. Persistent mumbling in Washington this past spring about the need to restore the draft suggests that this aspect of the national schooling system is not entirely behind us even now.

Scattered throughout his book, Spring demonstrates his belief that men make history. There is no mumbo jumbo about vague "forces of corporate capitalism." We begin to get names: James Bryant Conant, Vannevar Bush, the Carnegie and Ford Foundations. Conant and Bush are clearly shown to have been responsible for some of the most dastardly institutional means by which the "sorting machine" came to function. Both were intimately involved in national scientific planning during the Second World War; each championed Universal Military Training, helped create the National Science Foundation and the Educational Testing Service, and was a leading member of that brain trust of the cold warriors, the Committee on the Present Danger. Through their links with the private foundations, especially the Ford, Carnegie and Alfred P. Sloan, a variety of "private" commissions prepared the plans which subsequently became the basis of federal legislation on manpower and education policy.

While Spring is not quite ready to proclaim a "conspiracy" to have existed—the detailed studies of the



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foundations and the personnel who created the national system are still to be written—nevertheless he concludes that "when all the major federal legislation and actions in the area of education since 1945 are studied, and the major educational changes on a national level are considered in terms of historical development, a coherent and clear national educational policy emerges."

Spring devotes two chapters to the "War on Poverty" and the "Civil Rights Movement," but does not limit his analysis to the more obvious controversies over desegregation, busing, and the special difficulties of the "culturally deprived" in American public schools. Instead he focuses on key parts of the Civil Rights Act of 1964 and the Elementary and Secondary School Act of 1965. Under the benevolent guise of ensuring racial justice, these two acts, according to Spring, created the means for direct federal intervention into almost every aspect of the financing and management of public schools and colleges. Through certain federal grants to private schools, they even came for the first time significantly closer to incorporating the private system under federal control.

Here again Joel Spring shows a superior understanding of the subtle, indirect way in which the federal control of schooling has been imposed; he understands well the devastating impact of bureaucratic dynamism in turning poorly drafted federal laws into unpredictable and limitless claims to authority over every jot and tittle of the schooling business.

Spring's last chapter takes him through the Nixon years when the statist watchword for the schools was "career education." This innocuous phrase conceals a plan to extend "vocational guidance," i.e. "sorting," down into the elementary schools. Thus, by the time a child is old enough to enter high school, he could be funneled into either an academic or vocational program depending on his "guided" choice and "aptitude." Social castes would be fixed in the early teens, and any access to the critical skills of the intellectual disciplines would be confined to the few who, because of family social and economic status, as well as intelligence, could use the private school system. Thus the elitism and caste stratification of European societies would be more or less institutionalized through the "sorting machine," and another American dream, that of a free and socially mobile society, would be finally dashed.

Joel Spring is an unusual kind of historian of education. He was not himself trained in the schools of education; he was professionally trained as an historian at the University of Wisconsin in the heyday of William Appleman Williams and the circle of revisionists who congregated around him in the 1960s. Spring just happened to fall upon the topic of the development of American public education while studying the Progressive era, and produced his myth-shattering *Education and the Rise of the Corporate State*. (Beacon Press, 1972) With this background, Spring, unlike so many educational historians, never forgets that the school system is merely a part of a larger socioeconomic and political complex, and he analyzes every manifestation of change or dissent in the school system in the light of the broader pattern of historical events. It was this critical insight that caused him to examine the educational policies of the national government against the background of the foreign and defense policies of the Cold War. It is this analytical framework that so distinguishes *The Sorting Machine* as a major interpretive work.

For this reviewer, who was schooled in the post-1945 years and entered the teaching profession in the years when Rickover, Conant and the Council for Basic Education were struggling to win over the public with their respective points of view, Spring's subject matter is not unfamiliar. The connection between schooling and sorting and war was painfully apparent in the 1950s, but the larger purposes of the central planners were more obscure. The manipulation of career choices by the carrot of federal grants and the stick of conscription was manifest at the time; the cynical waste of so many people's time and effort in the training for jobs which have since disappeared is only recently and painfully evident.

Not a single one of my classmates enticed into Russian studies by the Cold War "sorters" is presently employed within that field of specialization, although one disappeared off the face of the earth as a reward for his masterful linguistic achievements. Still fresh from the excited patriotism of the Second World War, hyped up by the latest threat of the Soviet dictatorship, mindful of the fate of the Christian peoples of Eastern Europe under Stalinism and the "loss" of China, and bereft of the leadership of the Old Right which collapsed with the defeat and death of Senator Taft, most American young people in the 1950s accepted their fate and maneuvered to create such pockets of freedom as they could find, and to await better times.

The Vietnam War smashed the American consensus; it created a new leadership which saw more clearly the nature of the State's oppression. From the SDS in its early Jeffersonian phase to the current renaissance of libertarian political philosophy, historians have been among the most important instruments of the new realism as to the statist domination of American lives.

Joel Spring has made a distinguished contribution to the continuing unveiling of the State colossus and its abuse of the freedom of individuals. He is keenly aware that his book, *The Sorting Machine*, is not the whole story. Details of the interlocking directorate which created the "sorting machine" and the national educational system within which it operates are still to be fully revealed. Archives must be opened; memoirs must be written. We must more fully learn the role of the teachers' unions, the textbook publishers, the manufacturers of teaching materials, testing services, accrediting agencies, job training contractors, the new federal institutes and foundations, and the cultural penetration of the schools by the CIA. Much, much more remains to be discovered here.

What Joel Spring has achieved—brilliantly, in my estimation—is to have set the framework for future historical research, and to have torn away the veil, shattered the myth that we still enjoy a decentralized, locally controlled, individualistically oriented



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common school system. Libertarians interested in the dynamics of contemporary American political society will find *The Sorting Machine* of absorbing interest. I highly recommend it to all except the pietists of public education and the priesthood of national planners. They will rightly judge it to be an impertinence, and undoubtedly check their files to see how Spring slipped through their sorting machine.

*Joseph R. Peden is Professor of History at Baruch College in New York City. The vice-president of the Center for Libertarian Studies and the publisher of The Libertarian Forum, he has had a long-standing interest in the field of education, and in the libertarian perspective.*

## ATLAS SHRUGGED: A TWENTIETH ANNIVERSARY TRIBUTE

### *"a supreme achievement, guaranteed of immortality"*
### *By John Hospers*

In October, 1977, twenty years will have elapsed since the first publication of Ayn Rand's novel *Atlas Shrugged*. The reason I did not read the book until two years later is that I made the mistake of reading the critics before reading the novel. I can think of no parallel case in which the overwhelming majority of critics were so consistently and thoroughly mistaken.

I shall not attempt to recount fully the reasons for this. One is surely that the novel requires detailed and careful reading; skimming will not do, and skimming is all that most critics give to the fiction they review. Another reason is that it contains heavy doses of philosophy, which critics are not accustomed to and are not trained in—nor do they usually feel a need to correct this defect. Moreover, the prevalent assumption is that "if it contains an ideology, it's got to be preachy," and evidence for this is given in the form of short quotations ripped out of their context. But the most fundamental reason is that almost all the critics belong to the "Eastern liberal establishment," and they will fight by fair means or foul to repudiate any work which opposes their (usually unacknowledged) ideology. In most cases they simply ignore these "deviant books" entirely, letting them die a death of oblivion. This technique of less-than-benign neglect, when used against books opposed to their point of view, is often devastatingly effective. Fortunately it did not work in the case of *Atlas Shrugged*, which has sold millions of copies through the years and has been translated into most Indo-European languages.

What are the qualities which caused this book, like *The Fountainhead*, to endure and prosper in spite of the violent antipathy and venom of the critics?

1. The most obvious reason is that it has a marvelous plot, simple in its structural thrust but complex yet entirely coherent in its textural details. It observes the Aristotelian canons: everything necessary is there, but nothing superfluous; everything that happens is necessary to the understanding of everything that comes afterwards (the principle of organic development); it has a strong overall unity, yet holds in suspension an extraordinary amount of diversity; it is teleological through and through, with nothing accidental, nothing purposeless, nothing left to chance. To avant-garde critics, this classifies the novel as "traditional" in structure, and since it contains no new novelistic gimmicks, its plot-structure came to be described as "old-fashioned" or even "unimaginative." But critics are atypical readers, and readers flocked to it for the very features which the critics scorned.

Even those readers who do not care for ideas in novels can be totally absorbed in the story as it unfolds chapter by chapter. It is so ingeniously plotted, with complex interconnections and previously planted hints coming to life as the story moves on, that it is difficult to see how any reader of fiction from *Tom Jones* to the present can fail to be involved in the story as it develops. One high-school student I know was so passionately absorbed in reading it that, though she had been forbidden by her orthodox Jewish parents to read the book, she read it until the wee hours every night in her bedroom by the light of the street lamp. Ayn Rand was once asked what features were most important in a novel, and she replied, "Plot, plot, and plot." *Atlas* admirably illustrates her conviction.

2. The reader can identify imaginatively with the characters to a high degree. In accord with Aristotle's dictum that there should be only as much characterization as is needed for purposes of the action, Rand's minor characters remain (quite properly) two-dimensional. But there are enough major three-dimensional characters to fill a dozen ordinary novels. For me, Rearden is 'the most interesting character study because he grows and develops from page to page; indeed the portrait of Rearden is a classic of character development. For others, Francisco is the most fascinating character because he is somewhat mysterious, enigmatic, and (in the short run at least) unpredictable. But there are many other vivid character portraits: Dagny, James Taggart, Cherryl, Eddie Willers, Ken Danagger, Ragnar, . . . the list is too long to need repetition.

3. The writing is nothing short of spectacular. When one realizes that Rand knew almost no English when she came to America, her mastery of the English idiom and vocabulary is phenomenal. Though Rand's own favorite passage (as far as narrative style is concerned) is the scene in which Dagny and Rearden take the train ride that opens the John Galt Line, my own opinion is that her writing style reaches its greatest heights in the confrontation scenes between various characters, especially when character-contrasts are overlaid with clashes of ideas, as in the various interchanges between Francisco and Rearden. In these scenes Rand's genius for presenting abstract ideas through concrete images attains its greatest height. These scenes invariably give the effect of high-voltage electricity.

Rand's writing achieves the peak of intensity when she speaks not *about* the characters but *through* the words of



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the characters. The most famous of these are the "speeches," e.g. Francisco on money, Rearden on sacrifice, etc., which are more easily taken from their context and presented separately (in *For the New Intellectual*). But even more compelling than these, I think, are comparatively neglected scenes like the one between Dagny and the tramp on the train in the Nebraska night—the best account ever written, bar none, that traces with blinding clarity the full consequences of socialistic schemes on the people who initially desired them. This scene should be included in every college political philosophy textbook, though it occurs in not one. The academicians have never forgiven Rand for exploding the myth of collectivism.

Speaking of academicians, has a more concise and slashing expose of them ever been written than this neglected little

"Your kind of intellectuals [said Fred Kinnan] are the first to scream when it's safe—and the first to shut their traps at the first sign of danger. They spend years spitting at the man who feeds them—and they lick the hand of the man who slaps their drooling faces. Didn't they deliver every country of Europe, one after another, to committees of goons? Didn't they scream their heads off to shut off every burglar alarm and to break every padlock open for the goons? Have you heard a peep out of them since? Didn't they scream that they were the friends of labor? Do you hear them raising their voices about the chain gangs, the slave camps, the fourteen-hour workday and the mortality from scurvy in the People's States of Europe? . . . You might have to worry about any other breed of men, but not about the modern intellectuals: they'll swallow anything. I don't feel so safe about the lousiest wharf rat in the longshoremen's union; he's liable to remember suddenly that he is a man—and then I won't be able to keep him in line. But the intellectuals? That's the one thing they've forgotten long ago . . . Do anything you please to the intellectuals. They'll take it."

"For once," said Dr. Ferris, "I agree with Mr. Kinnan . . . You don't have to worry about the intellectuals, Wesley. Just put a few of them on the government payroll and send them out to preach precisely the sort of thing Mr. Kinnan mentioned: that the blame rests on the victims. Give them moderately comfortable salaries and extremely loud titles—and they'll do a better job for you than whole squads of enforcement officers." (pp. 546-7)

4. Some would say that the most important single achievement of *Atlas*, which places it even above *The Fountainhead*, is the presentation of a systematic philosophy. It is stated explicitly in Galt's speech (which was nearly two years in the writing), but it comes out in diverse aspects all through the novel. The social philosophy is based on an ethics, and the ethics on a metaphysics; and they all surface in the pages of the novel, even in incidental comments made for example by minor characters at a party. It is amazing that the action can be so continuous and so dramatic in view of the omnipresence of the philosophy, which in most other novels stops the action entirely and is not integrated into it. It takes one who is both a seminal thinker *and* a great writer to achieve this feat, not merely a *mixture* of fiction and philosophy but a chemical *combination* of them into an overpowering unity. It has been tried often enough, even by great writers, but with conspicuous lack of success. Thomas Mann tried it in *The Magic Mountain*; not only was the philosophy confused and confusing, but it was heavy-handed and never integral to the action—the philosophical pages would best be removed for the sake of the novelistic experience. But it is not so in *Atlas*; *Atlas* is the conspicuous exception. Here the philosophy is completely interwoven into the action, and the action in turn dramatizes and exemplifies the philosophy.

It is not, then, simply as philosophy that *Atlas* is a triumph; the triumph consists in the total *integration* of philosophy and fiction. And I can think of no other novel in which such an integration is successful. (In *the Fountainhead*, ethics emerges, but little explicit metaphysics or political philosophy. *Atlas* by contrast is all-encompassing. In *Atlas* the author takes on everybody, creating in one bold leap a counterweight to the trend of our culture. That is why there are many who accepted and even admired *The Fountainhead* and yet were hostile to her far greater achievement in *Atlas*.) *Atlas* is, indeed, a philosophical mystery novel, in which the solution to the mystery depends on grasping the philosophy. If there is any other novel in existence of which this can be said, I have not heard of it.

5. But even the philosophy, or (as I prefer to say) the integration of philosophy with fiction, great as it is, is not the greatest achievement of *Atlas*. The supreme achievement of *Atlas* is the communication of a *sense of life*, which as the author rightly says in *The Romantic Manifesto* is the unique achievement possible to art. It is a sense of life so positive, so heroic, so inspiring, that those who have been raised in the tradition of fiction as muckracking or "gutter realism" or any kind of fiction with a negative sense of life cannot endure to read it: the change is too sudden; they cannot grasp the transformation, and it demands too much of them—not only in their intellectual position (re-thinking) but in their whole approach to life (re-living). This, I think, is the main reason for the heated and venomous attacks on *Atlas*, far more severe than those on all her previous works put together. Critics may sometimes view the philosophy with a certain detachment, but they cannot come to terms with the sense of life which exudes from every page of *Atlas*.

It was to take hold of and sustain this sense of life, even more than the reasoned philosophy which gives rise to it, that after the publication of *Atlas* Ayn Rand Clubs sprang into existence on campuses all across the country. *Atlas* expresses the "heroic sense of life" more than any philosophical nonfiction work could do; and consequently this novel will continue to yield more converts to individualism and liberty than any other book has, or probably ever will. I shall never forget the mixture of triumph and tragedy on the face of the perplexed student who said to me after finishing the book, "But iat she says in this book is true, then most of the things I've been taught all my life are false." Those who rebelled against the prevailing sense of life of American fiction and American culture, in the all-pervasive muck in which parents and teachers and society



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were content to let them swim, could now hold on to this book as a secure and unyielding rock. Therein lies its immense power, and its guarantee of immortality.

*John Hospers, world-renowned authority in the philosophy of esthetics, is the author of a great many essays and textbooks in all areas of philosophy. Presently Professor of Philosophy at the University of Southern California, he was the presidential pandidate of the Libertarian Party in 1972, receiving one electoral vote, and is the author of the highly acclaimed book* Libertarianism.

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## *"a slice of the life of the imagination"*
## *By Jeff Riggenbach*

Ayn Rand's *Atlas Shrugged* will be twenty-one years old in another year; it will, figuratively speaking, have attained its majority. And there is about that prospect an unmistakable savor of lost innocence—as there would be about the prospect of an older, larger Alice humorlessly telling a child that it takes all the running you can do to keep in the same place, or about the prospect of a "sivilized" Huck Finn or a "phony" Holden Caulfield. For in the life of the imagination, Alice is eternally the child's eye view of adult pedantry and officiousness; Huck Finn is forever the Noble Savage, American style; and Holden Caulfield is always sixteen and always fighting not to "grow up." In the life of the imagination, each of them is innocent—unaffected by any knowledge—of, respectively, the adult's eye view of children or the uses of culture or the social basis of pretense and dissimulation.

And just so is there an innocence about *Atlas Shrugged*. Consider its story: a slice of the life of the imagination in which three brilliant, young, egoistic, hotheaded non-conformists meet in college, share an intense and deeply personal interest in ideas regarded by their professors as bunk, and go on to literally shake the world with their uses of these ideas, showing up their former professors and the intellectual establishment, in the process, for the fools and frauds they are. This is the daydream of a bright adolescent at intellectual odds with his teachers—an adolescent who figures, as Granville Hicks put it twenty years ago in his otherwise singularly unperceptive review of *Atlas Shrugged*, that "it might be a good idea if the whole human race, except for us and the few nice people we know, were wiped out."(1)

Rand even presents her story as a sort of simultaneous detective novel and science fiction novel—as a blend, that is, of the two kinds of book most favored by young readers. The fact is, Ayn Rand's *Atlas Shrugged* is one of the great unacknowledged children's books of our time.

To say of a book that it is a children's book is *not* to denigrate it, of course—though it is hardly surprising that in a society where children are the most abominably treated of all despised minorities, it should come to be supposed that the phrase "children's book" is identical with the phrase "second rate book." On the contrary. The best children's books—Lewis Carroll's "Alice" books are the best examples—are fully as "serious" and fully as artistic as the best adult books. What makes them children's books is their presentation of a childlike perspective, an innocent perspective, on the world, a perspective untroubled by knowledge of the inexhaustible richness of context in which real events occur, a perspective from which the world is simple and self-evident.

The world is a chance-ordered game in which adults guide one's progress—supervising one, contradicting one, ordering one about—behaving at times with the pompous pedantry of Humpty Dumpty, at other times with the gentle, solicitous ineptitude of the White Knight. The world is a factory in which most of one's fellow workers and all one's superiors are third-rate parasites who hate and fear competence, but in which, in the long run, only competence works, so that one really *can* start as a day-laborer on the great railroad and win the hand of the boss's daughter by sheer force of ability. The world is an institution in which persons larger and more powerful than one watch one twenty-four hours a day and subject one to torture when one is caught deviating, even privately, from their standards of behavior. *Through the Looking Glass. Atlas Shrugged. 1984.*

I introduce Orwell at this point to stress the nature of the concept "children's book" as I'm using it here—to include not only those books of interest exclusively to children, but also those among adult books (especially "classic" adult books) which, because they formulate human life in models of clarity, simplicity and imaginative scope, children enjoy reading. *1984* is certainly in this category[2], as are *The Call of the Wild, The Lord of the Rings, The Catcher in the Rye, Gulliver's Travels, The Time Machine, Lord of the Flies, Doctor Jekyll and Mr. Hyde,* and a dozen or more novels of rebellion against authority, of which *Atlas Shrugged* is one.

Children, especially adolescents, have an easy time reading portraits of the world as a repressive regime: that's pretty much the way the world is for them. And Rand, in *Atlas Shrugged*, works to intensify the empathy such readers must feel with the world of her novel by making all her most heroic characters as youthful as possible.

Dagny Taggart looks "like a young girl; only her mouth and eyes [show] that she [is] a woman in her thirties." When she calls on Francisco d'Anconia at the Wayne-Falkland hotel, she finds him sitting on the floor playing marbles and smiling "the unchanged, insolent, brilliant smile of his childhood." She looks at Ellis Wyatt and sees "the purity, the eagerness, the joyous benevolence of a child in the kind of world for which he had been intended." She visits John Galt's "Utopia of Greed" and recalls one of the legends she heard about Galt before meeting him: "John Galt found the fountain of youth which he wanted to bring down to men. Only he never came back . . . because


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he found that it couldn't be brought down."

Hank Rearden, who looked "old at twenty," looks "young now, at forty-five." Francisco d'Anconia glances at him as he speaks his last sentence on the last page of *Atlas Shrugged* and sees "the eyes of youth looking at the future with no uncertainty or fear." Eddie Willers watches the collapse of civilization and is reminded of feeling "an immense betrayal" when he was seven years old and a favorite oak tree collapsed in a storm.

Conversely, the evil characters in *Atlas Shrugged* are prematurely aged. "James Taggart . . . looked like a man approaching fifty, who had crossed into age from adolescence, without the intermediate stage of youth. His posture had a limp, decentralized sloppiness .... The flesh of his face was pale and soft. His eyes were pale and veiled.... He looked obstinate and drained. He was thirty-nine years old." Phillip Rearden "had always been in precarious health.... He was thirty-eight, but his chronic weariness made people think at times that he was older than his brother."

And so it goes. Youthful heroes with whom youthful readers can "identify" easily.[3] An ingeniously comprehensive vision of the world in all its simplicity and self-evidence. "Eddie Willers . . . it self-evident that one had to do what was right; he had never learned how people could want to do otherwise; he had learned only that they did. It still seemed simple and incomprehensible to him: simple that things should be right, and incomprehensible that they weren't."

In one of her essays, Rand characterizes adolescence as "the period when [a person] becomes aware of the need to translate his incoherent sense of life into conscious terms.... the period when he gropes for such things as the meaning of life, for principles, ideals, values. . . ."[4] It is to philosophy that he must look for full, consistent definition of these principles, ideals and values, Rand writes; it is to art that he must look for objectification of their reality, for "the pleasure of feeling what it would be like to live in one's ideal world."[5] And just as the student of mathematics begins with the less and moves on gradually to the more complex problems and proofs, so the student of life is drawn earliest and with greatest intensity to theories and visions which fit the infinite variety of life into a single, easily grasped idea; it is only later that he learns to appreciate the achievements of thinkers and artists who formulate life by creating elaborate, even labyrinthine conceptual structures which, tapestry-like, integrate the most disparate, obscure and seemingly contradictory ideas.

Little wonder then that so many intelligent, independent minded, rebellious adolescents have found *Atlas Shrugged* so irresistible they have made its author the center of a literary-philosophical cult and that cult in turn the nucleus of an important political movement. For someone at that critical stage in his personal development when ideas have become important but remain half understood, *Atlas Shrugged* is a reading experience of overwhelming impact. It integrates nearly everything—love, sex, work, art and politics, most notably—into an idea at once simple and revolutionary; it dabbles tantalizingly in philosophy and asserts that it is there the reader will find proof of this and other such ideas; it offers the world in a nutshell and sketches an instruction booklet for those interested in making their own nutshells.

Every serious reader passes through such a stage—the stage of what might be called intellectual adolescence—and only sometimes during his sociobiological childhood. Some serious readers remain there. Others go on to reading of greater complexity and attain their intellectual majority, only to depreciate and undervalue the books from which they learned what serious reading is all about. Still others become professional critics and denounce as "juvenile" and "polemical" and "simplistic" books of the same sort as once stimulated them to devote their lives to literature. They would do better to recognize that while the impression any book makes on its reader depends on who the reader is and what he has already seen and thought and read, there are some books whose importance is almost entirely heuristic and whose importance is not diminished one whit by that fact.

For that matter, it is by no means clear that in philosophy, as in politics, there are no simple solutions. In the chapter on definitions in her *Introduction to Objectivist Epistemology*, Rand argues that childish definitions of man—as an audible moving thing, as a furless, two-legged thing, as a speaking animal which can do things no other animal can do—are not contradicted by more sophisticated definitions. They are "included implicitly," she writes, "as non-defining characteristics, in a more precise definition of man. It is still true that man is a rational animal who speaks, does things no other living beings can do, walks on two legs, has no fur, moves and makes sounds."

Similarly, it is still true that life is a process of self-generated, self-sustaining action which resembles at times a game, at other times an institution, and at still other times a realm in which "to hold an unchanging youth is to reach, at the end, the vision with which one started."

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[1] *The New York Times Book Review*, October 13, 1957.

[2] See, in this connection, C.M. Kornbluth's essay, "The Failure of the Science Fiction Novel as Social Criticism," in *The Science Fiction Novel*, edited by Basil Davenport, Chicago, Advent, 1969, especially pages 68 and 69.

[3] " 'To identify with' is a colloquial designation for a process of abstraction," Rand writes. "It means to observe a common element between the character and oneself, to draw an abstraction from the character's problems and apply it to one's own life." (*The Romantic Manifesto*, New York, World, 1969, p. 47).

[4] "Philosophy and Sense of Life" in *The Romantic Manifesto*, page 36.

[5] "Art and Sense of Life" in *The Romantic Manifesto*, page 49.

*Jeff Riggenbach is a frequent contributor to* Libertarian Review.



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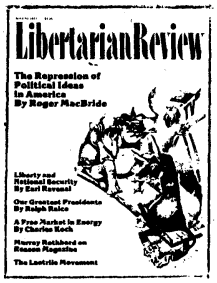


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